

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Billings Township	County Gladwin
Fiscal Year End 3/31/07	Opinion Date 12/31/07	Date Audit Report Submitted to State 1/18/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe) SAS #61 letter	<input checked="" type="checkbox"/>	
Certified Public Accountant (Firm Name) Weinlander Fitzhugh	Telephone Number 989-893-5577	
Street Address 1600 Center Ave	City Bay City	State MI
		Zip 48708
Authorizing CPA Signature <i>Stewart J. Reid CPA</i>	Printed Name Stewart J. Reid	License Number 8826

Billings Township
Gladwin County, Michigan



Financial Statements
March 31, 2007

**BILLINGS TOWNSHIP
TOWNSHIP OFFICIALS
For The Year Ended March 31, 2007**

Thomas Phillips	Supervisor
Linda Frye	Clerk
Larry Nelson	Treasurer
Larry Grell	Trustee
Dani Persons	Trustee

STATE EQUALIZED VALUE-2006
\$132,564,200

STATE TAXABLE VALUE-2006
\$93,878,636

TOWNSHIP POPULATION-2000
2,715

**BILLINGS TOWNSHIP
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
March 31, 2007**

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**BILLINGS TOWNSHIP
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
March 31, 2007**

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

ROBERT E. LIST, CPA
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JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

Members of the Township
Board of Trustees
Billings Township
Gladwin County, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Billings Township, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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GLADWIN AND WEST BRANCH

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WEINLANDER FITZHUGH

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The budgetary comparison information on pages 20 and 21, 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Township. The combining and individual non major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Bay City, Michigan
December 31, 2007

BILLINGS TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 791,335	\$ 252,026	\$ 1,043,361
Taxes receivable, net	62,414	-	62,414
Special assessments receivable, net	-	6,221,985	6,221,985
Other receivables	303	-	303
Internal balances	33,081	-	33,081
Land	51,244	-	51,244
Construction in progress	-	1,187,761	1,187,761
Buildings and improvements, net	191,027	-	191,027
Equipment, net	75,950	-	75,950
Total capital assets	<u>318,221</u>	<u>1,187,761</u>	<u>1,505,982</u>
Total assets	<u>1,205,354</u>	<u>7,661,772</u>	<u>8,867,126</u>
LIABILITIES			
Accounts payable	34,443	199	34,642
Deferred revenue	-	6,221,985	6,221,985
Bonds and contracts payable	-	692,000	692,000
Total liabilities	<u>34,443</u>	<u>6,914,184</u>	<u>6,948,627</u>
NET ASSETS			
Invested in capital assets, net of related debt	318,221	495,561	813,782
Unrestricted	852,690	252,027	1,104,717
Total net assets	<u>\$ 1,170,911</u>	<u>\$ 747,588</u>	<u>\$ 1,918,499</u>

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

**BILLINGS TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended March 31, 2007**

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental:							
General government	\$ 223,291	\$ 44,655	\$ -	\$ -	\$ (178,636)	\$ -	\$ (178,636)
Public safety	118,344	11,223	-	-	(107,121)	-	(107,121)
Public works	231,781	-	-	-	(231,781)	-	(231,781)
Community development	11,500	-	-	-	(11,500)	-	(11,500)
Total governmental activities	<u>584,916</u>	<u>55,878</u>	<u>-</u>	<u>-</u>	<u>(529,038)</u>	<u>-</u>	<u>(529,038)</u>
General revenues:							
Property taxes and related fees					426,562	-	426,562
State aid					185,248	20,169	205,417
Federal aid					-	403,371	403,371
Interest earnings					19,133	7,197	26,330
Miscellaneous					36,943	-	36,943
Special assessments					17,304	309,885	327,189
Total general revenues and transfers					<u>685,190</u>	<u>740,622</u>	<u>1,425,812</u>
Change in net assets					156,152	740,622	896,774
Net assets-beginning					1,014,759	6,966	1,021,725
Net assets-ending					<u>\$ 1,170,911</u>	<u>\$ 747,588</u>	<u>\$ 1,918,499</u>

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

BILLINGS TOWNSHIP
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2007

	<u>General</u>	<u>Fire Department</u>	<u>Other Non Major Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 430,711	\$ 218,933	\$ 141,691	\$ 791,335
Taxes receivable, net	8,231	15,455	38,728	62,414
Due from other funds	33,081	-	11,315	44,396
Other receivables	216	87	-	303
Total assets	<u>\$ 472,239</u>	<u>\$ 234,475</u>	<u>\$ 191,734</u>	<u>\$ 898,448</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,840	\$ 2,616	\$ 14,987	\$ 34,443
Due to other funds	11,315	-	-	11,315
Total liabilities	<u>28,155</u>	<u>2,616</u>	<u>14,987</u>	<u>45,758</u>
Fund balances:				
Unreserved and undesignated	444,084	231,859	176,747	852,690
Total fund balances	<u>444,084</u>	<u>231,859</u>	<u>176,747</u>	<u>852,690</u>
Total liabilities and fund balances	<u>\$ 472,239</u>	<u>\$ 234,475</u>	<u>\$ 191,734</u>	<u>\$ 898,448</u>

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

**BILLINGS TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2007**

Total fund balances for governmental funds (Exhibit 3)	\$	852,690
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$	51,244	
Buildings and improvements, net of \$129,833 accumulated depreciation		191,027	
Equipment, net of \$1,004,256 accumulated depreciation		75,950	
		318,221	

Total net assets of governmental activities (Exhibit 1)	\$	<u>1,170,911</u>
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The accompanying notes are an integral part of these financial statements.

BILLINGS TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended March 31, 2007

	<u>General</u>	<u>Fire Department</u>	<u>Other Non Major Funds</u>	<u>Total</u>
REVENUES				
Property taxes and related fees	\$ 64,960	\$ 132,619	\$ 228,983	\$ 426,562
Licenses and permits	4,020	-	-	4,020
State aid	185,248	-	-	185,248
Charges for services	40,635	-	-	40,635
Interest and dividends	17,741	8,863	1,392	27,996
Special assessments, net	17,304	-	-	17,304
Miscellaneous	36,943	2,360	-	39,303
Total revenues	<u>366,851</u>	<u>143,842</u>	<u>230,375</u>	<u>741,068</u>
EXPENDITURES				
General government	223,291	-	-	223,291
Public safety	6,150	74,582	-	80,732
Public works	34,509	-	199,103	233,612
Community and economic development	11,500	-	-	11,500
Capital outlay	-	37,612	-	37,612
Total expenditures	<u>275,450</u>	<u>112,194</u>	<u>199,103</u>	<u>586,747</u>
Excess (deficiency) of revenues over expenditures	<u>91,401</u>	<u>31,648</u>	<u>31,272</u>	<u>154,321</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	91,401	31,648	31,272	154,321
Fund balances-beginning	<u>352,683</u>	<u>200,211</u>	<u>145,475</u>	<u>698,369</u>
Fund balances-ending	<u>\$ 444,084</u>	<u>\$ 231,859</u>	<u>\$ 176,747</u>	<u>\$ 852,690</u>

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

**BILLINGS TOWNSHIP
 RECONCILIATION OF THE STATEMENT OF REVENUE,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 For the Year Ended March 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 154,321
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded adjusted depreciation in the current period.</p>	
	1,831
	1,831
Change in net assets of governmental activities (Exhibit 2)	\$ 156,152

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

**BILLINGS TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2007**

	Current Tax Collection	Payroll Fund
ASSETS		
Cash and cash equivalents	\$ 4,230	\$ 28,851
Total assets	4,230	28,851
LIABILITIES		
Due to other funds	4,230	28,851
Total liabilities	4,230	28,851
NET ASSETS	\$ -	\$ -

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

BILLINGS TOWNSHIP
PROPRIETARY FUNDS STATEMENT OF NET ASSETS
March 31, 2007

	Enterprise Fund
	Sewer Fund
	Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 252,026
Special assessment receivable	6,221,985
Total current assets	6,474,011
Capital assets:	
Construction in progress	1,187,761
Total capital assets	1,187,761
Total assets	7,661,772
LIABILITIES	
Current liabilities:	
Accounts payable	199
Deferred revenue	6,221,985
Bonds and contracts payable	692,000
Due to other funds	-
Total current liabilities	6,914,184
NET ASSETS	
Invested in capital assets, net of related debt	495,561
Restricted	252,027
Total net assets	\$ 747,588

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

**BILLINGS TOWNSHIP
 PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES,
 AND CHANGES IN NET ASSETS
 For the Year Ended March 31, 2007**

	Enterprise Fund
	Sewer Fund
NONOPERATING REVENUES (EXPENSES)	
Special assessments	\$ 309,885
Investment earnings	7,197
Total nonoperating revenue (expenses)	317,082
Capital grants	423,540
Changes in net assets	740,622
Total net assets-beginning	6,966
Total net assets-ending	\$ 747,588

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

BILLINGS TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2007

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from loans	\$ 692,000
Purchases and construction of capital assets	(515,447)
Proceeds from capital grants	423,540
Proceeds from special assessments	309,885
Principal paid on capital debt	(750,000)
Interest paid on capital debt	(22,516)
Net cash provided by capital and related financing activities	137,462
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	7,197
Net increase in cash and cash equivalents	144,659
Balances-beginning of the year	107,367
Balances-end of the year	\$ 252,026

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

BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Billings Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Billings Township:

A. Reporting Entity

The Township of Billings is a predominately rural township located in Gladwin County, Michigan and covers an area of approximately 28 square miles. The Township operates under an elected five-member Board of Trustees and provides fire protection, garbage collection, and community enrichment and development to its 2,715 residents (2000 census).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. 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 the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary and proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. The sewer fund is a proprietary type fund (Enterprise) and is accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting

The government reports the following major funds:

General Fund. This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township of Billings. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Fire Fund. This fund is used to account for the activities related for fire protection for the Township.

The government reports the following other non-major funds:

Garbage Fund. This fund is a special revenue fund to account for the receipt and expenditures of waste disposal for the Township.

Mosquito Control Fund. This fund is a special revenue fund to account for the receipt and expenditures of mosquito control within the Township limits.

The government reports the following major proprietary fund:

Sewer Fund. This fund is used to record the revenue and expenses for the operation of the sewer system, and the construction of new sewer projects. Capital assets are recorded within the fund and depreciation will be charged to these assets once the respective project is complete.

The government reports the following fiduciary funds:

Tax Collection Fund. This fund is a trust and agency fund used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Payroll Fund. This fund is a trust and agency fund used to account for resources held by the Township in a trustee capacity. Money in this fund is from other funds to maintain the payment of wages and related payroll tax and other payroll withholding activity.

BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments–Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables–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.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets–Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1000 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building improvements	30 to 40 years
Water systems	50 years
Fire apparatus	25 years
Fire equipment	5 to 30 years
Mowing equipment	10 to 20 years
Office equipment	5 to 20 years
Computer equipment	5 to 10 years

**BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue—Deferred revenue represent amounts that do not meet the availability criteria for recognition as revenue, such as grant monies received before the expenditure is incurred, and special assessments before the assessment is received.

Compensated Absences (Vacation and Sick Leave)—Vacation and sick leave benefits attributable to the Township’s governmental funds are recorded as an expenditure and a current liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund is recorded. Annual vacation and sick leave does not carryover; it must be used or it is lost.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The annual budget is prepared by the Township’s management and adopted by the Township Board; subsequent amendments are approved by the Township Board. The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended (MCL 141.421 et seq.), provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township’s actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Township for these budgeted funds were adopted to the activity level.

**BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund – Township Board	\$ 68,350	\$ 79,842
General Fund – Assessor	44,221	44,958
General Fund – Elections	3,500	6,574
General Fund – Cemetery	10,000	10,669
General Fund – Buildings and Grounds	13,790	32,086
General Fund – Police Department	1,500	1,740
General Fund – Building Inspection	4,300	4,410
General Fund – Street Lighting	4,600	5,006

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the 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; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks for the deposit of Township funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997, has authorized investments in certificates of deposit, savings accounts, local government investment pools organized under PA 121, MCL 129.141 to 129.50, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

**BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The Township's deposits and investments are presented on the balance sheet under the following categories:

	Cash and Cash Equivalents
Governmental Funds	\$ 791,335
Proprietary Funds	252,026
Fiduciary Funds	33,082
Total	\$ 1,076,443

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ 1,076,443
---	--------------

The bank balance of the government deposits is \$1,076,443, of which \$300,000 is covered by federal deposit insurance.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$776,443 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Billings Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township has no investments at this time, therefore they have no interest rate risk.

**BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007**

NOTE 4. CAPITAL ASSETS

A summary of changes in general capital assets follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated - Land	\$ 51,244	\$ -	\$ -	\$ 51,244
Capital Assets Being Depreciated				
Buildings and improvements	320,860	-	-	320,860
Equipment	1,042,595	37,612	-	1,080,207
Subtotal	1,363,455	37,612	-	1,401,067
Less Accumulated Depreciation for				
Buildings and improvements	122,584	7,249	-	129,833
Equipment	979,269	24,987	-	1,004,256
Subtotal	1,101,853	32,236	-	1,134,089
Net Capital Assets Being Depreciated	261,602	5,376	-	266,978
Governmental Activities Capital Assets – Net of Depreciation	\$ 312,846	\$ 5,376	\$ -	\$ 318,222

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

General activities:

General government	\$ 8,228
Fire department equipment	24,008
	<u>\$ 32,236</u>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 33,081	General	\$ 11,315
Mosquito Control	11,315	Current Tax Collection	4,230
		Payroll	28,851
Total	<u>\$ 44,396</u>	Total	<u>\$ 44,396</u>

NOTE 6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

BILLINGS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

NOTE 7. SIMPLIFIED EMPLOYEE PENSION PLAN

The Township provides a Simplified Employee Pension (SEP) Plan, in which the Township contributes a discretionary percentage to an employee's individual retirement account on behalf of each Township employee who is at least 18 years old and elects to participate. The total payroll for all Township employees for the year ended March 31, 2007, was \$67,639 of which \$44,918 was covered under the plan. During the year ended March 31, 2007, the Township made contributions to the plan of 7.5% of the eligible employees' wages for a total of \$2,843.

NOTE 8. BOND ANTICIPATION NOTE

In March of 2003, the Township issued a \$634,000 short-term note to pay for certain project costs in connection with the construction of a sanitary sewer system. The note was to be secured with the proceeds of bonds to be issued by the Township to finance the costs of the project. In March 2006, the Township issued a new \$750,000 short-term note for the purpose of providing funds to pay off the above existing note with a remaining balance of \$643,016. The remainder of the proceeds of the current note in the amount of \$106,908 was deposited in the Sewer Fund to be used to pay for current construction costs. The Township expects to issue bonds in an aggregate principal amount of not less than \$3,400,000 on or about September 1, 2007 in order to finance the completion of the project. The Township is responsible for making semi-annual interest payments through September 1, 2007 and repayment of the principal after the bonds are sold. The interest rate is 4.64% per annum. Total construction costs in progress at March 31, 2007 of \$1,187,761 on the above project is shown on the Government-wide Statement of Net Assets as "Construction in Progress".

NOTE 9. RELATED PARTY TRANSACTIONS

The Township purchased vehicle fuel from the Fire Chief's family business, Vincent Service. The total gasoline and oil charges for the fiscal year totaled \$1,726.

NOTE 10. SPECIAL ASSESSMENT RECEIVABLE

The Township has approved a special assessment to repay the debt incurred relating to the sewer project. The special assessment charge per parcel was \$9,344 on 715 parcels for a beginning total of \$6,540,800 with initial levies as part of the winter 2006 taxes. After applying payments received during the current fiscal year of \$318,815, a balance of \$6,221,985 remains on the special assessment receivable.

NOTE 11. LONG-TERM DEBT

The long-term debt balance owing consists of the initial preliminary draw of \$692,000 against the total bond issue of \$3,400,000.

BILLINGS TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes and related fees	\$ 70,164	\$ 70,164	\$ 64,960	\$ (5,204)
Licenses and permits	5,200	5,200	4,020	(1,180)
State aid	191,000	191,000	185,248	(5,752)
Charges for services	48,520	48,520	40,635	(7,885)
Interest and dividends	2,600	2,600	17,741	15,141
Special assessments	13,700	13,700	17,304	3,604
Miscellaneous	4,000	4,000	36,943	32,943
Total revenues	<u>335,184</u>	<u>335,184</u>	<u>366,851</u>	<u>31,667</u>
EXPENDITURES				
General Government:				
Township board	68,350	68,350	79,842	(11,492)
Supervisor	10,367	10,367	9,164	1,203
Treasurer	25,776	25,776	23,768	2,008
Assessor	44,221	44,221	44,958	(737)
Clerk	14,600	14,600	14,430	170
Elections	3,500	3,500	6,574	(3,074)
Board of review	1,950	1,950	1,800	150
Cemetery	10,000	10,000	10,669	(669)
Buildings and grounds	13,790	13,790	32,086	(18,296)
Public Safety:				
Police department	1,500	1,500	1,740	(240)
Building inspection and regulation activities	4,300	4,300	4,410	(110)
Public works:				
Road improvements	101,200	101,200	29,503	71,697
Drains	100	100	-	100
Street lighting	4,600	4,600	5,006	(406)
Community/Economic Development:				
Planning commission	13,800	13,800	3,409	10,391
Zoning board of appeals	6,675	6,675	1,664	5,011
Zoning Administration	7,100	7,100	6,427	673
Total expenditures	<u>331,829</u>	<u>331,829</u>	<u>275,450</u>	<u>56,379</u>
Excess (deficiency) of revenues over expenditures	<u>3,355</u>	<u>3,355</u>	<u>91,401</u>	<u>88,046</u>
OTHER FINANCING SOURCES (USES)				
Transfers-out	<u>(51,400)</u>	<u>(51,400)</u>	<u>-</u>	<u>51,400</u>
Total other financing sources and uses	<u>(51,400)</u>	<u>(51,400)</u>	<u>-</u>	<u>51,400</u>
Net change in fund balances	<u>(48,045)</u>	<u>(48,045)</u>	<u>91,401</u>	<u>139,446</u>
Fund balances-beginning	<u>352,683</u>	<u>352,683</u>	<u>352,683</u>	<u>-</u>
Fund balances-ending	<u>\$ 304,638</u>	<u>\$ 304,638</u>	<u>\$ 444,084</u>	<u>\$ 139,446</u>

**BILLINGS TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
For the Year Ended March 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes and related fees	\$ 138,696	\$ 138,696	\$ 132,619	\$ (6,077)
Interest and dividends	4,500	4,500	8,863	4,363
Miscellaneous	2,000	2,000	2,360	360
Total revenues	<u>145,196</u>	<u>145,196</u>	<u>143,842</u>	<u>(1,354)</u>
EXPENDITURES				
Public Safety:				
Fire Protection	<u>120,600</u>	<u>120,600</u>	<u>112,194</u>	<u>8,406</u>
Total expenditures	<u>120,600</u>	<u>120,600</u>	<u>112,194</u>	<u>8,406</u>
Excess (deficiency) of revenues over expenditures	<u>24,596</u>	<u>24,596</u>	<u>31,648</u>	<u>7,052</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,596	24,596	31,648	7,052
Fund balances-beginning	<u>200,211</u>	<u>200,211</u>	<u>200,211</u>	<u>-</u>
Fund balances-ending	<u>\$ 224,807</u>	<u>\$ 224,807</u>	<u>\$ 231,859</u>	<u>\$ 7,052</u>

**BILLINGS TOWNSHIP
COMBINING BALANCE SHEET
OTHER NON MAJOR FUNDS
March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>	
	<u>Mosquito Control</u>	<u>Garbage Fund</u>	<u>Total Non Major Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,886	\$ 135,805	\$ 141,691
Taxes receivable, net	2,594	36,134	38,728
Due from other funds	11,315	-	11,315
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 19,795</u>	<u>\$ 171,939</u>	<u>\$ 191,734</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 14,987	\$ 14,987
Total liabilities	<hr/>	<hr/>	<hr/>
	-	14,987	14,987
Fund balances:			
Reserved for:			
Unreserved and undesignated	\$ 19,795	\$ 156,952	\$ 176,747
Total fund balances	<hr/>	<hr/>	<hr/>
	19,795	156,952	176,747
Total liabilities and fund balances	<u>\$ 19,795</u>	<u>\$ 171,939</u>	<u>\$ 191,734</u>

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

Exhibit 12

**BILLINGS TOWNSHIP
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER NON MAJOR FUNDS
For the Year Ended March 31, 2007**

	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>	<u>Total Non Major Funds</u>
	<u>Mosquito Control</u>	<u>Garbage Fund</u>	
REVENUES			
Property taxes and related fees	\$ 22,637	\$ 206,346	\$ 228,983
Interest and dividends	-	1,392	1,392
Total revenues	<u>22,637</u>	<u>207,738</u>	<u>230,375</u>
EXPENDITURES			
Public works	20,333	178,770	199,103
Total expenditures	<u>20,333</u>	<u>178,770</u>	<u>199,103</u>
Excess (deficiency) of revenues over expenditures	<u>2,304</u>	<u>28,968</u>	<u>31,272</u>
Net change in fund balances	2,304	28,968	31,272
Fund balances-beginning	<u>17,491</u>	<u>127,984</u>	<u>145,475</u>
Fund balances-ending	<u>\$ 19,795</u>	<u>\$ 156,952</u>	<u>\$ 176,747</u>

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

**BILLINGS TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2007**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Receipts or Revenue Recognized	Disbursements or Expenditures
US Department of Agriculture - Rural Development	10.760	\$ 692,000	\$ 692,000
US Environmental Protection Agency Passed through the Michigan Department of Environmental Quality (95.238% Federal funds, 4.762% State funds)	66.470	403,371	403,371
TOTAL REPORTING ENTITY		<u>\$ 1,095,371</u>	<u>\$ 1,095,371</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to generally accepted accounting principles as applicable to state and local governmental units. The following is a summary of the more significant policies relating to the aforementioned grant programs.

1. The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting.
2. This Schedule of Expenditures of Federal Awards includes the federal grant activity of Billings Township. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (SIGNIFICANT DEFICIENCIES, REPORTABLE INSTANCES OF NONCOMPLIANCE, AND OTHER MATTERS IDENTIFIED)

Board of Trustees
Billings Township
1050 Estey Road
Gladwin County, Michigan

We have audited the financial statements of Billings Township as of and for the year ended March 31, 2007, and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Billings Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Billings Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Billings Township's internal control over financial reporting.

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

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

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detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (Findings 2007-1 through 2007-4).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Billings Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Findings 2007-5 through 2007-8.

We noted certain matters that we reported to management of Billings Township in a separate letter dated December 31, 2007.

This report is intended solely for the information and use of the audit committee, management, Billings Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

Bay City, Michigan
December 31, 2007



WEINLANDER FITZHUGH

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Billings Township
1050 Estey Road
Gladwin County, Michigan

Compliance

We have audited the compliance of Billings Township with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2007. Billings Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Billings Township's management. Our responsibility is to express an opinion on Billing Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Billings Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Billings Township's compliance with those requirements.

In our opinion, Billings Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-3, 2007-4, and 2007-8.

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Internal Control Over Compliance

The management of Billings Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Billings Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Billings Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

Bay City, Michigan
December 31, 2007

BILLINGS TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unqualified on basic Financial Statements, except for the effects caused by the omission of the Management Discussion and Analysis*

Internal control over financial reporting:
Material weaknesses identified? _____yes X no
Significant deficiencies identified not considered to be material weaknesses? X yes _____no

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:
Material weaknesses identified? _____yes X no
Significant deficiencies identified not considered to be material weaknesses? X yes _____no

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____yes X no

Identification of major programs:

CFDA Number

Name of Federal Program

10.760	US Department of Agriculture – Rural Development
66.470	US Environmental Protection Agency

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes X no

BILLINGS TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 General Ledger

Condition: The Clerk is not balancing the General Ledger to the Treasurer's reconciled cash balances.

Criteria: The general ledger should be the primary financial record of a Township and should reflect all financial activity of the organization for the year.

Cause: The Treasurer is not providing bank reconciliations to Clerk.

Effect: During our audit, it was necessary to make several adjusting entries to the March 31, 2007 general ledger.

Recommendation: The general ledger should be monitored each month, by the Clerk or with assistance from an outside accounting firm, so that any necessary adjustments can be made on a monthly basis. The Clerk and Treasurer also must compare their records and assure that the reconciled bank accounts agree with the balances recorded in the general ledger.

2007-2 Periodic Financial Reports

Condition: Balance sheet and revenue and expenditure reports showing budget to actual comparisons are not being provided to the Board of Trustees on a monthly basis.

Criteria: The cash balances of the Clerk and Treasurer should be reconciled and disclosed on monthly Balance sheet and revenue and expenditure reports.

Cause: The Clerk and Treasurer are not reconciling cash balances each month.

Effect: The Board of Trustees is unable to be certain of the Township's overall financial position on a monthly basis.

Recommendation: The Treasurer should provide bank statements, reconciliations, and outstanding items lists to the Clerk to make necessary entries to update cash accounts and compile monthly financial reports for distribution to the Board.

2007-3 Budgetary Appropriations

Condition: The Township had many expenditures in excess of budgeted amount.

Criteria: P.A. 2 as amended stipulates that a local unit of government shall not incur expenditures in excess of appropriated amounts.

Cause: The Clerk and Treasurer must reconcile cash balances as well as communicate tax collections received and payouts on a monthly basis.

BILLINGS TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED MARCH 31, 2007

2007-3 Budgetary Appropriations (Continued)

Effect: Accurate financial reports cannot be compiled for monthly Board review and budget amendment when necessary.

Recommendation: The Treasurer should provide bank statements, reconciliations, and outstanding items lists to the Clerk to make necessary entries to update cash accounts and compile monthly financial reports for distribution to the Board.

2007-4 Federal Awards

Condition: Schedule of Federal Expenditures was not maintained to track revenue and expenditures for all Federal award programs.

Criteria: The receipt and expenditure of Federal funds must be monitored to ensure compliance with Federal award program requirements.

Cause: No Schedule of Federal Expenditures is maintained.

Effect: The Federal revenue was improperly classified in the General Ledger making verification of compliance with Federal award programs difficult.

Recommendation: In accordance with Office of Management and Budget Circular No. A-133, a schedule of expenditures of Federal awards should be maintained for the period covered by the financial statements. At a minimum the schedule should include:

1. List of individual Federal programs by Federal agency
2. The amount of Federal awards expended
3. The CFDA number or other identifying number when the CFDA information is not available
4. The award number and year
5. The name of the pass-through entity

In addition, a copy of the grant awards should be maintained by both the Clerk and Treasurer.

2007-5 Invoices and support documents

Condition: Invoices and other supporting documentation not being retained or maintained in orderly filing system.

Criteria: Invoices, invoice copies, or other support documentation should be retained to support Township expenditures.

Cause: Invoices and other support documentation missing from expenditure files.

Effect: During the audit, numerous expenditures did not have invoices or supporting documentation to verify approval or proper classification of the expenditure.

BILLINGS TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007

2007-5 Invoices and support documents (Continued)

Recommendation: The Clerk should establish a filing system to retain invoices and other supporting documentation with the check stubs in support of Township expenditures.

2007-6 Personnel Files

Condition: No personnel files or other central location of employee pay rates.

Criteria: The pay rates for Township personnel should be maintained by the Clerk.

Cause: The personnel files or other procedures established to maintain Township employee pay rates.

Effect: During the audit, we were unable to verify approved pay rates and accuracy of payroll data.

Recommendation: The Clerk should establish personnel files or other system to maintain Township employee payroll information.

2007-7 Conflict of Interest Policy

Condition: No Conflict of Interest policy covering related party transactions.

Criteria: Current guidelines should be established addressing Conflicts of Interest with related party transactions.

Cause: The Township has not adopted Conflict of Interest guidelines to cover related party transactions.

Effect: Potential for higher level of fraud risk and public scrutiny when Township transacts business with related party and no established guidelines exist.

Recommendation: The Township should modify current Conflict of Interest policy to establish guidelines covering related party transactions.

2007-8 Board of Trustee Oversight

Condition: Insufficient system of checks and balances.

Criteria: Township must maintain adequate system of checks and balances to safeguard public funds and trust.

Cause: Township has insufficient staffing to provide adequate system of checks and balances.

Effect: Potential for higher level of fraud risk and public scrutiny when proper system of checks and balances is not in place.

BILLINGS TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007

2007-8 Board of Trustee Oversight (Continued)

Recommendation: Township officials and trustees must continue to diligently apply oversight procedures.

BILLINGS TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-3 Budgetary Appropriations: USDA – Rural Development, CFDA 10.760

The discussion in Section II also applies to this finding.

2007-4 Federal Awards: USDA – Rural Development, CFDA 10.760

The discussion in Section II also applies to this finding.

2007 – 8 Board of Trustee Oversight: USDA - Rural Development, CFDA 10.760

The discussion in Section II also applies to this finding.



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

December 31, 2007

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Board of Trustees
Billings Township
Gladwin County, Michigan

Dear Board Members:

This letter is intended to inform the Board of Trustees of Billings Township about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Township.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 19, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Billings Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

And part of obtaining reasonable assurance about whether Billings Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Billings Township
December 31, 2007
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However, providing an opinion on compliance with those provisions was not an objective of our audit.

Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Billings Township's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Billings Township's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Billings Township's compliance with those requirements.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed individually and in the aggregate had a significant effect on the Township's financial reporting process. Please see the attached copy of the audit adjustments for the year ended March 31, 2007 for your review and approval. We have also reported on this deficiency in a separate report dated December 31, 2007.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township. The Township did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



WEINLANDER FITZHUGH

Billings Township
December 31, 2007
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Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Other Matter

Internal Control Policies

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the Township's programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the Township periodically review the controls in place to prevent, deter and detect fraud.

Weinlander Fitzhugh

Bay City, Michigan
December 31, 2007