Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended (V1.07)

Unit Name* MCMILLAN TOWNSHIP	County* ONTONAGON	Type* TOWNSHIP	MuniCode* 66-1-080
Opinion Date-Use Calendar* 09/23/2008	Audit Submitted-Use Calendar* 09/29/2008	Fiscal Year End Month* 03	Fiscal Year* 2008

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

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

- [X] ? 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [ ] ? 2. Does th[illegible] a positiv[illegible] balan[illegible] all of [illegible] nres[illegible] und bal[illegible] stricted net ass[illegible]
- [ ] ? 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [ ] ? [illegible] unit in co[illegible] the [illegible] Cha[illegible] Acco[illegible] Issu[illegible] the Depa[illegible] Treasury?
- [X] ? 5. Did the local unit adopt a budget for all required funds?
- [X] ? [illegible] a public he[illegible] budge[illegible] ac[illegible] nce [illegible] ta[illegible] e?
- [X] ? 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [X] ? [illegible] unit dis[illegible] ex reve[illegible] that [illegible] colle[illegible] for a[illegible] taxing unit, timely as requir[illegible] general [illegible] act?
- [X] ? 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [X] 10. Is [illegible] unit free of [illegible] unaut[illegible] d ex[illegible] ditur[illegible] at ca[illegible] our attention as defined [illegible] letin for [illegible] of Lo[illegible] Governm[illegible] Michigan [illegible] evised [illegible] e Ap[illegible] ix H [illegible] etin.)
- [X] ? 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [ ] ? [illegible] Is the loc[illegible] of rep[illegible] ported [illegible] cien[illegible] from [illegible] viou[illegible]
- [X] ? 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [X] [illegible] Has the loca[illegible] mplied [illegible] ASB 34[illegible] oth[illegible] ener[illegible] ccep[illegible] counting principles (GAAP)?
- [X] ? 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [X] ? 17. To your [illegible] were t[illegible] recon[illegible] tions [illegible] t we[illegible] view[illegible] formed timely?
- [X] ? 18. Are there reported deficiencies? [X] 19. If so, was it attached to the audit report?

General Fund Revenue: ?		General Fund Balance: ?	
General Fund Expenditure: ?		Governmental Activities Long-Term Debt (see instructions): ?	
Major Fund Deficit Amount:	$ 0.00		

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

CPA (First Name)* JON	Last Name* TOMASI	Ten Digit License Number* 1101008202		
CPA Street Address* 208 BIRCH ST	City* BERGLAND	State* MI	Zip Code* 49910	Telephone* +1 (906) 575-3206
CPA Firm Name* JON J. TOMASI, CPA	Unit's Street Address* 513 CEDAR ST	Unit's City* EWEN	Unit's Zip* 49925	

TOWNSHIP OF McMILLAN - EWEN, MICHIGAN
ONTONAGON COUNTY
FINANCIAL REPORT
REPORT ON FINANCIAL STATEMENTS
(with additional information)
March 31, 2008

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan, as of and for the year ended March 31, 2008 which collectively comprise the McMillan Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of McMillan, Michigan's management. My responsibility is to express opinions on these general purpose 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 general purpose 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 general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan, as of March 31, 2008, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2008, on my consideration of the Township of McMillan, Michigan's internal control over financial reporting and my 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 my 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 should be considered in assessing the results of my audit.

The management's discussion and analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

Certified Public Accountant
Bergland, Michigan
September 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Year ended March 31, 2008

Management's Discussion and Analysis

The Township of McMillan's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the Township's financial activity, and identify changes in the Township's financial position including its ability to address the next and subsequent year's challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and is intended to provide the financial results for the year ending March 31, 2008. GASB 34 requires the presentations of two basic types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general fund (considered a major fund).

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Jensen Trust Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the Financial Analysis of the Township as a whole with a detailed analysis of the statement below.

Summary of Net Assets

	Governmental		Business-Type	
	2008	2007	2008	2007
ASSETS				
Current Assets:	$ 12,571	$ 17,290	$ 224,195	$ 208,538
Net Capital Assets	92,457	102,347	2,877,602	2,962,979
Total Assets	$ 105,028	$ 119,637	$3,101,797	$3,171,517
LIABILITIES				
Current Liabilities	14,935	40,904	37,439	39,127
Non-Current Liabilities			814,000	832,000
Total Liabilities	$ 14,935	$ 40,904	$ 851,439	$871,127

	Governmental		Business-Type	
	2008	2007	2008	2007
NET ASSETS				
Invested in Capital Assets, net of related debt	92,457	102,347	1,977,168	2,044,547
Restricted			75,318	75,076
Unrestricted	(2,364)	(23,614)	197,872	180,767
Total Net Assets	$ 90,093	$ 78,733	$2,250,358	$2,300,390
Total Net Assets and Liabilities	$105,028	$119,637	$3,101,797	$3,171,517

The Township's governmental net assets totaled $9,093 at March 31, 2008 compared to $78,733 at March 31, 2007. Total assets can be separated into three categories: investment in capital assets, net of related debt, restricted and unrestricted. Net capital assets are a combination of funds available for capital assets less accumulated depreciation. The original cost of capital assets was $195,746 and the accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP) depreciation expense is recorded on the original cost of the asset less any estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation was $103,289 for 2008 and $93,399 for 2007. The remaining balance in unrestricted assets represent a deficit balance of $2,364 for 2008 and $23,614 for 2007. The business type net assets totaled $2,250,358 at March 31, 2008 compared to $2,300,390 at March 31, 2007. The original cost of capital assets was $3,760,795 for 2008 and $3,760,795 for 2007 and accumulated depreciation was $958,511 for 2008 and $872,891 for 2007. The remaining balance in unrestricted assets represents an excess balance of $197,872 for 2008 and $180,767 for 2007.

Results of Operations

The results of this year's operations for the Township as a whole as reported in the statement of activities. A summary of the Township-wide results of operations for year 2008 and 2007 is as follows:

	Governmental		Business-Type	
	2008	2007	2008	2007
Program Revenue:				
Charges for services	27,359	23,946	141,807	134,577
Operating Grant				
Capital Grant		122,000		
Total Program Revenue	27,359	145,946	141,807	134,577

	Governmental		Business-Type	
	2008	2007	2008	2007
General Revenue:				
Property taxes	77,716	74,040		
State Revenue	47,582	46,894		
Investment Earnings				
Other	2,306	2,321		
Total General Revenue	127,604	123,255		
Total Revenue	$ 154,963	$ 269,201	$ 141,807	$ 134,577
Expenses:				
	2008	2007	2008	2007
General Government	51,958	47,444		
Public Safety	24,567	27,262		
Public Works	26,736	164,902		
Other	6,108	10,016		
Recreation and Culture	34,234	35,887		
Water and Sewer			192,194	191,249
Total Expenditures	143,603	285,511	191,839	192,194
Increase (Decrease) in Net Assets	11,360	(16,310)	(50,032)	(57,617)
Net Assets January 1	78,733	95,043	2,300,390	2,358,007
Net Assets, December 31	$ 90,093	$ 78,733	$2,250,358	$2,300,390

Governmental Fund Financial Highlights

The overall condition of the governmental funds improved during fiscal 2008. Several factors contributed to the situation resulting in an excess of revenues over expenditures of $21,250 which decreased the deficit from $23,614 go $2,364.

Proprietary Fund/Business-Type Activities

The overall condition of the proprietary funds has decreased in fiscal 2008. The operating loss decreased $7,713 but net assets for the year were reduced by $50,032.

General Fund Budgetary Highlights

The Township did not amend its general fund budget. Actual revenue exceeded budgeted revenue by $3,452 and actual expenditures were less than budgeted expenditures by $5,378. Negative budget variances were in the areas of interest and rents, other revenue and general government.

Total Revenues

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds:

	Total Revenue		Total Revenue	
	2008	Percentage	2007	Percentage
Taxes	$ 77,716	50.2%	$ 74,040	27.5%
Licenses and Permits	2,140	1.4	990	.4
State Grants	52,402	33.8	173,796	64.6
Charges for Services	1,864	1.2	1,232	.4
Interest and Rent	450	.3	450	.2
Other	20,391	13.1	18,693	6.9
Total Revenue	$ 154,963	100.0%	$269,201	100.0%

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds.

	Total Expenditures		Total Expenditures	
	2008	Percentage	2007	Percentage
Legislative	$ 1,938	1.4%	$ 1,950	.7%
General Government	50,020	37.4	45,494	16.5
Public Safety	16,240	12.2	18,935	6.9
Public Works	26,334	19.7	164,500	59.7
Recreation and Culture	33,073	24.7	34,725	12.6
Other	6,108	4.6	10,016	3.6
Total Expenditures	$133,713	100.0%	$ 275,620	100.0%

Capital Assets and Debt Administration

At the end of fiscal 2008, the Township had $92,457 invested in land and building, furniture, vehicles and equipment compared to $102,347 at the end of 2007.

Other Economic Factors and Next Years Budget

Economic Factors
Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of McMillan
P.O. Box 267
Ewen, MI 49925

TOWNSHIP OFMCMILLAN

STATEMENT OF NET ASSETS
For the year ended March 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$672	$144,032	$144,704
Investments			
Receivables (Net)	$10,943	49,403	60,346
Due from Other Funds	956	30,760	31,716
Inventories			
TOTAL CURRENT ASSETS	12,571	224,195	236,766
NON-CURRENT ASSETS			
Cash Reserves		75,318	75,318
Capital Assets--Net	92,457	2,802,284	2,894,741
TOTAL NON-CURRENT ASSETS	92,457	2,877,602	2,970,059
TOTAL ASSETS	105,028	3,101,797	3,206,825
LIABILITIES			
Accounts Payable	10,102	396	10,498
Accrued Other Liabilities		11,116	11,116
Due to Other Funds	4,833	25,927	30,760
Deferred Revenue			
TOTAL CURRENT LIABILITIES	14,935	37,439	52,374
NON-CURRENT LIABILITIES			
Due Within One Year		19,100	19,100
Due in More Than One Year		794,900	794,900
TOTAL NON-CURRENT LIABILITIES		814,000	814,000
TOTAL LIABILITIES	14,935	851,439	866,374
NET ASSETS			
Invested in Capital Assets--Net of Related Debt	92,457	1,977,168	2,069,625
Restricted-Debt Service		75,318	75,318
Unrestricted	(2,364)	197,872	195,508
TOTAL NET ASSETS	$90,093	$2,250,358	$2,340,451

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
General Government	$51,958	$3,984			($47,974)		($47,974)
Public Safety	24,567	4,532			(20,035)		(20,035)
Public Works	26,736				(26,736)		(26,736)
Health and Welfare							
Community and Economic Development							
Recreation and Culture	34,234	18,843			(15,391)		(15,391)
Other	6,108				(6,108)		(6,108)
Total Governmental Activities	143,603	27,359			(116,244)		(116,244)
Business-Type Activities							
Water and Sewer	191,839	141,807				(50,032)	(50,032)
Total Primary Government	335,442	169,166			(116,244)	(50,032)	(166,276)
General Revenues							
Property Taxes					77,716		77,716
State-Shared Revenues					47,582		47,582
Unrestricted Investment Earnings							
Right of Way Funds					2,306		2,306
Total General Revenues					127,604		127,604
Change in Net Assets					11,360	(50,032)	(38,672)
Net Assets--Beginning					78,733	2,300,390	2,379,123
Net Assets--Ending					$90,093	$2,250,358	$2,340,451

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2008

	General Fund	Totals Governmental Funds
ASSETS		
Cash and Equivalents	$672	$672
Investments		
Receivables--Net	10,943	10,943
Due from Other Funds	956	956
Receivable from Other Governments		
Inventories		
TOTAL ASSETS	12,571	12,571
LIABILITIES		
Accounts payable	10,102	10,102
Due to Other Funds	4,833	4,833
Payable to Other Governments		
Deferred Revenue		
TOTAL LIABILITIES	14,935	14,935
FUND BALANCES		
Unreserved	(2,364)	(2,364)
TOTAL FUND BALANCE	(2,364)	(2,364)
TOTAL LIABILITIES AND FUND BALANCE	$12,571	$12,571

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total Fund Balances for Governmental Funds	($2,364)
Amounts reported for governmental activities in this 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	92,457
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$90,093

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2008

	General Fund	Totals Governmental Funds
REVENUES		
Taxes	$77,716	$77,716
Licenses and permits	2,140	2,140
State grants	52,402	52,402
Charges for services	1,864	1,864
Interest and rentals	450	450
Other	20,391	20,391
TOTAL REVENUES	154,963	154,963
EXPENDITURES		
Legislative	1,938	1,938
General government	50,020	50,020
Public safety	16,240	16,240
Public works	26,334	26,334
Health and welfare		
Culture and recreation	33,073	33,073
Capital outlay		
Contingency		
Other	6,108	6,108
Miscellaneous		
TOTAL EXPENDITURES	133,713	133,713
EXCESS OF REVENUE (EXPENDITURES)	21,250	21,250
OTHER FINANCING SOURCES (USES)		
CHANGE IN FUND BALANCE	21,250	21,250
FUND BALANCE APRIL 1, 2007	(23,614)	(23,614)
FUND BALANCE MARCH 31, 2008	(2,364)	(2,364)

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended March 31, 2008

Net Change in Fund Balance-Total Governmental Funds		$21,250
Amounts reported for governmental activities in this statement of net assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital Outlays		
Depreciation Expense	(9,890)	
Other		(9,890)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$11,360

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2008

	Business-Type Activities Enterprise Funds
	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$144,032
Cash and cash equivalents-restricted	75,318
Accounts receivable, net	49,403
Due from other funds	30,760
TOTAL CURRENT ASSETS	299,513
Non-current Assets:	
Utility Plant in Service-Water	1,478,405
Utility Plant in Service-Sewer	2,202,848
Building and Structures	24,042
Equipment	55,500
Accumulated Depreciation	(958,511)
TOTAL NON-CURRENT ASSETS	2,802,284
TOTAL ASSETS	3,101,797
LIABILITIES	
Current Liabilities:	
Accounts payable	396
Due to other Funds	25,927
Accrued Interest Payable	11,116
Current Portion of Noncurrent Liabilities	19,100
TOTAL CURRENT LIABILITIES	56,539
Non-current Liabilities:	
Bonds and Loans Payable	794,900
TOTAL NONCURRENT LIABILITIES	794,900
TOTAL LIABILITIES	851,439
NET ASSETS:	
Invested in capital assets net of related debt	1,977,168
Restricted-debt service	75,318
Unrestricted	197,872
TOTAL NET ASSETS	$2,250,358

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the fiscal year ended March 31, 2008

	Business-Type Activities Enterprise Funds Water and Sewer Fund
OPERATING REVENUES	
Charges for services (net)	$135,909
Other operating revenue	4,861
TOTAL OPERATING REVENUES	140,770
OPERATING EXPENSES	
Operating expenses	68,652
Depreciation	85,620
TOTAL OPERATING EXPENSES	154,272
OPERATING INCOME (LOSS)	(13,502)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,037
Interest Expense	(37,567)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(50,032)
NET ASSETS, APRIL 1	2,300,390
NET ASSETS, END OF YEAR	$2,250,358

The notes to financial statements are an integral part of these statements

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPE
TOWNSHIP OF McMILLAN
Year ended March 31, 2008

Cash flows from operating activities:	
Cash received from customers	$131,832
Cash paid to suppliers	(49,374)
Payments to employees	(20,966)
Internal Activity-Payments to Other Funds	14,232
NET CASH PROVIDED BY OPERATING ACTIVITIES	75,724
Cash flows from capital and related financial activities:	
Construction Grant	
Principle and Interest on Long Term Debt	(55,567)
Equipment Reimbursement	
Construction of Utility Plant	
	(55,567)
Cash flows from investing activities-interest earned	1,037
NET INCREASE IN CASH	21,194
Cash at Beginning of Year	198,156
CASH AT END OF YEAR	$219,350
Balance Sheet Classification of Cash and Cash Equivalents	
Demand deposits and savings	$144,032
Restricted Cash	75,318
Total cash and cash equivalents	$219,350
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	($13,502)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	85,619
Changes in Assets and Liabilities	
Customer Accounts Receivable	(8,938)
Due from Other Funds	13,839
Accounts Payable	(1,448)
Due Other Funds	394
Interest Payable	(240)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$75,724

The notes to financial statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2008

ASSETS	
Cash and cash equivalents	$21,038
TOTAL ASSETS	$21,038
LIABILITIES	
Due to other funds	$956
Due to other	3,662
Fund Balance	16,420
TOTAL LIABILITIES	$21,038

The notes to financial statements are an integral part of these statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Reporting Entity

The Township of McMillan operates with an elected Board of Trustees. The governing board is composed of five elected members, which include the supervisor, treasurer, and clerk. The Township provides its residents services in many areas including public safety, highways and streets, planning, zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund 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 nonfiduciary activities of the primary government and its component units. 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 are offset

by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

(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 and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Taxes Receivable-Property Taxes

The Township of McMillan's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unity as of the preceding December 31st.

The 2007 taxable valuation of the Local Governmental Unit totaled $12,153,832 on which ad valorem taxes levied consisted of 5.1669 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

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

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collections system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges

would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(D) Assets, Liabilities, and Net Assets or Equity

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 as 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.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

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

Buildings	40 to 60 years
Building Improvements	25 years
Vehicles	8 years
Office Equipment	5 years
Computer Equipment	5 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary, fiduciary fund financial statements and the governmental funds.

Long-Term Obligations-In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. The fact amount of debt issued is reported as other financing sources.

Fund Equity-In the fund financial statements, government 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

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the Clerk and the Treasurer, prepares the proposed budget for presentation to the Township Board during March for the fiscal year beginning on April 1. Budget hearings are scheduled in March to obtain taxpayer comments. The Budget is adopted by the Township Board prior to April 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds
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 of these budgetary funds were adopted to the activity level.

The Township has not complied with all the provisions of P.A. 621 of 1978.

The act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature are shown in the body of the financial statements.

NOTE 3 - WATER SUPPLY SYSTEM REVENUE BONDS

The construction and installation in 1974 of a domestic water system servicing the community of Ewen was financed by the issuance and sale of $195,000 1974 Water Supply System Revenue bonds and by an $85,000 grant from the Farmers Home Administration. Principal and interest are payable from the income and revenues derived from operation of the water supply system.

The unamortized cost of the original water supply system has not been recorded on the books of account because the amount is not determinable but it is believed to be nominal.

Data relevant to water fund revenue bonds at March 31, 2008, were as follows:

Date of issue - 1974
Amount of original issue - $195,000
Outstanding at March 31, 2008 - $40,000
Interest rate - 5%
Interest dates - January 1 and July 1
Principal payment date - January 1
Payments on principal during year ended March 31, 2009 - $8,000

Debt service charges until maturity are as follows:

Year ending March 31,	Principal	Interest	Total
2009	8,000	1,900	$ 9,900
2010-2014	32,000	3,600	35,600
	$40,000	$5,500	$45,500

Under a revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2008:

	Required Reserve at March 31, 2008	Balance at March 31, 2008
Bonds and Interest Redemption Fund	$11,450	$14,041
General Purpose Account	$10,000	$10,297

NOTE 4 - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

In 1996 the Township began construction work on improvements to the water supply system. The improvements were financed by the issuance of Revenue Bonds totaling $283,000 and a grant of $846,000 from Rural Economic Development of the U.S. Department of Agriculture.

Data relative to the 1996 Water Supply System Junior Lien Revenue Bonds at March 31, 2008:

Date of Issue: June 20, 1997

Amount of Original Issue:		
	Series A	253,000
	Series B	30,000
	Total	283,000

Outstanding March 31, 2008: $238,000
Interest Rate: 4.5%
Interest Dates: June 1 and December 1
Principal Payment Dated: December 1
Payment on principal during year ended March 31, 2009:

Series A	4,000
Series B	500

Bonds are subject to redemption prior to maturity on any interest payment date in reverse numeric order.

These bonds are self liquidation bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended March 31	Principal Series A	Principal Series B	Interest	Total
2009	4,000	500	10,710	15,210
2010-2014	21,000	2,500	50,512	74,012
2015-2019	27,000	3,500	44,753	75,253
2020-2024	39,000	5,000	36,517	80,517
2025-2029	44,000	5,000	26,303	75,303
2030-2034	54,000	5,000	14,378	73,378
2035-2039	25,000	2,500	1,890	29,390
Totals	214,000	24,000	185,063	423,063

Under the revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2008:

	Required Reserve March 31, 2008	Balance March 31, 2008
Junior Lien Bonds Bond and Interest Redemption Fund	$3,803	$3,904
Junior Lien Bonds Reserve Fund	$16,650	$16,650

NOTE 5 - SEWAGE DISPOSAL BONDS

On April 9, 1998 McMillan Township issued Sanitary Sewage Disposal System Revenue Bonds, Series 1998. Data relevant to the bonds is as follows:

Date of Issue: April 9, 1998
Amount of original issues: $100,000

Outstanding March 31, 2008 $90,000
Interest Rate: 4.75%
Interest payment dates: March 1 and September 1
Principal payment date: March 1
Payment on principal
during year ended March 31, 2009: $1,000

This bond is subject to redemption prior to maturity on any interest payment date in inverse chronological order.

This is a self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year ending March 31,	Principal	Interest	Total
2009	1,000	4,275	5,275
2010-2014	8,000	20,377	28,377
2015-2019	10,000	18,288	28,288
2020-2024	13,000	15,722	28,722
2025-2029	16,000	12,350	28,350
2030-2034	20,000	8,265	28,265
2035-2039	22,000	2,898	24,898
TOTALS	$90,000	$ 82,175	$172,175

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2008.

	Required Reserve March 31, 2008	Balance March 31,2008
Interest Redemption Fund	$ 1,319	$1,402
Bond Reserve Fund	$ 5,850	$4,650

NOTE 6 - SEWAGE DISPOSAL BONDS

In 2003, the Township began work on improvements to the sewage disposal system. The improvements were financed by the issuance of Revenue Bonds totaling $464,000 and a grant of

$1,028,000 from Rural Development of the U.S. Department of Agriculture. Data relative to the 2003 Sanitary Sewage Disposal System Junior Lien Bonds at March 31, 2008:

Date of Issue: June 25, 2003

Amount of Original Issue:	Series A	$414,000
	Series B	50,000
	Total	$464,000

Outstanding March 31, 2008: $446,000
Interest Rate: 4.5%
Interest Dates: June 1 and December 1
Principal Payment Date: June 1
Payment on principal during year ended March 31, 2009

Series A	$5,000
Series B	$ 600

Bonds are subject to redemption prior to maturity in reverse numeric order.

These bonds are self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year ending	Principal			
March 31	Series A	Series B	Interest	Total
2009	5,000	600	20,070	25,670
2010-2014	26,000	3,200	96,572	125,772
2015-2019	33,000	4,000	89,350	126,350
2020-2024	41,000	5,000	80,318	126,318
2025-2029	51,000	6,100	68,984	126,084
2030-2034	64,000	7,700	54,826	126,526
2035-2039	79,000	9,500	37,334	125,834
2040-2044	99,000	11,900	15,396	126,296
Totals	$398,000	$48,000	$462,850	$908,850

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2008.

	Required Reserve March 31, 2008	Balance March 31,2008
Repair and Improvement	$29,125	$15,725
Bond Reserve Fund	$13,850	$ 8,650

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2008, were as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	$ 956	Sewer	$25,927
Water	30,760	Tax	956
Sewer		Water	
Special Revenue		General	4,833
	$ 31,716		$ 31,716

NOTE 8 - PUBLIC ACT 275 OF 1980 DISCLOSURE

As of March 31, 2008 the Township General Fund has a deficit of $2,364. The Township will be filing a deficit elimination plan with the Michigan Department of Treasury.

NOTE 9 - LEGAL NON-COMPLIANCE/VIOLATION OF FINANCE RELATED PROVISIONS

The Township has not provided for the funding of the following reserved accounts for the water and sewer funds as of March 31, 2008.

Purpose	Required Amount	Actual Balance
1998 Sanitary Sewer Bond Reserve Fund	$ 5,850	$ 4,650
2003 Sanitary Sewer Bond Reserve Account	$13,850	$ 8,650
Repair, Replacement and Improvement	$29,125	$15,725

NOTE 10 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land				
Construction in Progress				
Subtotal				
Capital Assets Being Depreciated				
Buildings	22,844			22,844
Improvements Other Than Buildings				
Machinery & Equipment	172,903			172,903
Infrastructure				
Subtotal	195,747			195,747
Less Accumulated Depreciation for				
Buildings	(4,659)	(919)		(5,578)
Improvements Other Than Buildings				
Machinery & Equipment	(88,741)	(8,971)		(97,712)
Infrastructure				
Subtotal	(93,400)	(9,890)		(103,290)
Net Capital Assets Being Depreciated	102,347	(9,890)		92,457

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land				
Subtotal				
Capital Assets Being Depreciated				
Buildings	24,042			24,042
Improvements Other Than Buildings	70,284			70,284
Infrastructure	3,666,469			3,666,469
Subtotal	3,760,795			3,760,795
Less Accumulated Depreciation for				
Buildings	(4,858)		(601)	(5,459)
Improvements Other Than Buildings				
Machinery & Equipment	(35,893)		(6,008)	(41,901)
Infrastructure	(832,141)		(79,011)	(911,512)
Subtotal	(872,982)		(85,620)	(958,512)
Net Capital Assets Being Depreciated	2,887,903		(86,285)	$2,802,283

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

Governmental Activities	
General Government	
Public Safety	$ 8,327
Public Works	402
Economic Development	1,161
Recreation and Culture	

Total Governmental Activities	$ 9,890
Business-Type Activities	
Water	$41,433
Sewer	44,187
Total Business-Type Activities	$85,620

NOTE 11 - PROPRIETARY FUND-TYPE CASH

The cash balance for enterprise funds includes $65,022 in bond and interest redemption accounts and $10,296 in a General Purpose account. The accounts are restricted for payment of revenue bond principle, interest and expenses.

NOTE 12 - 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 in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchases and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for deposit of public money.

McMillan Township of Ewen has designated one bank for the deposit of funds. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

	Carrying Value	Bank Balance
Insured - FDIC	$165,511	$176,389
Uninsured - Uncollateralized	75,549	75,549
	$241,060	$251,938

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds, a Water Fund and a Sewer Fund. Segment information for the year ended March 31, 2008 was as follows:

Enterprise	Water Fund	Sewer Fund	Fund Totals
Operating revenues	$68,533	$72,237	$140,770
Depreciation expense	41,433	44,187	85,620
Operating income (loss)	(8,951)	(4,551)	(13,502)
Restricted donations & operating grants	-0-	-0-	-0-
Operating transfers in (out)	-0-	-0-	-0-
Tax revenues	-0-	-0-	-0-
Increase (decrease) in retained earnings	(21,132)	(28,900)	(50,032)
Current capital contributions	-0-	-0-	-0-
Land, buildings & equip:			
Additions			
Deletions	-0-	-0-	-0-
Net increase (decrease) In cash flows	18,809	2,385	28,905
Long term debt - payable from operating revenues (Including portion payable within one year)	278,000	536,000	814,000
Retained earnings	$ 958,750	$1,291,608	$2,250,358

NOTE 14 - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	Receivables	Allowance	Net
General Fund	$10,943	$ 0	$10,943
Water Fund	21,886	0	21,286
Sewer Fund	27,517	0	27,517
Net Receivables	$60,346	$ 0	$59,746

NOTE 15 - PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

The Township does not cover any employees under a pension plan. No township employees are eligible for postemployment benefits other than pension benefits, and the township does not have a deferred compensation plan for any of its employees.

NOTE 16 - RISK MANAGEMENT

The Township is exposed to various risks of losses related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of $2,000,000 per occurrence and a $2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2008, will not materially affect the financial condition of the Township. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 17 - CHANGES IN LONG TERM DEBT - ALL FUNDS

Long Term Debt - All Funds	2007	2008	Change
Current Portion	$ 18,000	$ 19,100	1,100
Non Current Portion	814,000	794,900	(19,100)
Total	$832,000	$814,000	($18,000)

NOTE 18 - ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR THE GOVERNMENTAL BOND & NOTE OBLIGATIONS ARE AS FOLLOWS:

		Business Type Activities		
Year ending March 31	Total	Principal	Interest	Total
2009		19,100	36,955	56,055
2010		20,100	36,054	56,154
2011		19,100	35,104	54,204
2012		20,100	34,204	54,304
2013		19,200	33,252	52,452
2014-2018		73,800	155,736	229,536
2019-2023		98,800	137,032	235,832
2024-2028		116,900	112,931	229,831
2029-2033		144,300	84,013	228,313
2034-2038		152,600	49,055	201,655
2039-2043		106,500	20,188	126,688
2044-2048		23,500	1,064	24,564
TOTAL		$814,000	$735,588	$1,549,588

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

TOWNSHIP OF MCMILLAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31,2008

	General Fund Budget Amounts	
	Original	Final
REVENUES		
Taxes	$76,261	$76,261
Licenses and permits		
State grants	52,000	52,000
Charges for services		
Interest and rentals		
Other	23,250	23,250
TOTAL REVENUES	151,511	151,511
EXPENDITURES		
Legislative	1,950	1,950
General government	41,150	41,150
Public safety	19,100	19,100
Public works	26,900	26,900
Health and welfare		
Culture and recreation	35,000	35,000
Capital outlay		
Debt service		
Other	15,000	15,000
TOTAL EXPENDITURES	139,100	139,100
EXCESS OF REVENUES (EXPENDITURES)	12,411	12,411
FUND BALANCE APRIL 1, 2007	($23,614)	($23,614)
FUND BALANCE MARCH 31, 2008	($11,203)	($11,203)

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

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF McMILLAN
DETAIL OF REVENUES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes:			
Current Property Taxes:			
Real and Personal		$57,269	
Commercial Forest Reserve		1,145	
Payment in Lieu of Tax		14,864	
		73,278	
Delinquent Property Taxes:			
Real and Personal		1,577	
Property Tax Administration Fees		2,861	
	$76,261	$77,716	$1,455
Building Permits	1,200	2,140	940
State Grants:			
Revenue Sharing		47,582	
Library Aid		1,986	
Liquor Enforcement		528	
Right of Way Funds		2,306	
Other			
	52,000	52,402	402
Federal Grants:			
Fire Truck			
Charges for Services:			
Lewis Jensen Cemetery Trust Fund		664	
Fire Department		700	
Cemetery		500	
Library			
Miscellaneous			
	1,500	1,864	364
Library Penal Fines	15,000	16,407	1,407
Interest and Rents:			
Interest Earned			
Rents		450	
	$550	$450	($100)

TOWNSHIP OF McMILLAN
DETAIL OF REVENUES -BUDGETAND ACTUAL (CONT.)
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues:			
Library Contributions			
Reimbursements		2,770	
Miscellaneous		1,214	
	5,000	3,984	(1,016)
TOTAL REVENUES	151,511	154,963	3,452
Other Financing Source - Operating Transfers in			
TOTAL REVENUES AND OTHER FINANCING SOURCE	$151,511	$154,963	$3,452

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries and Fringes		$1,938	
Supplies			
Contracted Services			
Advertising			
Insurance			
Miscellaneous			
TOTAL LEGISLATIVE	$1,950	1,938	$12
GENERAL GOVERNMENT			
Supervisor:			
Salary and Fringes		7,027	
Mileage		600	
Miscellaneous		102	
	7,200	7,729	(529)
Assessor:	7,500	7,718	(218)
Clerk:			
Salary and Fringes		9,366	
Office Supplies		742	
Telephone		285	
Travel		804	
Miscellaneous			
Capital Outlay			
	10,000	11,197	(1,197)
Treasurer:			
Salary and Fringes		7,673	
Office Supplies		2,408	
Printing and Publishing		440	
Travel		650	
Contracted Services		941	
	10,000	12,112	(2,112)
Board of Review:	750	817	(67)

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Townhall:			
Salaries, Wages and Fringes		1,929	
Contracted Services			
Supplies			
Insurance			
Utilities		5,079	
Copy Machine Expense			
Miscellaneous			
Capital Outlay			
	3,000	7,008	(4,008)
Elections:	700	1,170	(470)
Attorney:			
Cemetery:			
Wages and Fringes		1,233	
Operating Supplies		834	
Repairs and Maintenance			
Insurance			
Contracted Services		202	
Miscellaneous			
	2,000	2,269	(269)
TOTAL GENERAL GOVERNMENT	41,150	50,020	(8,870)
PUBLIC SAFETY			
Fire Department:			
Salaries, Wages and Fringes		3,480	
Operating Supplies		717	
Telephone		698	
Utilities		4,304	
Insurance			
Travel			
Hydrant Rental		3,600	
Repairs and Maintenance			
Capital Outlay			
	17,000	12,799	4,201

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Building Inspector:	900	1,649	(749)
Liquor Law Enforcement:	1,200	1,292	(92)
Zoning Board:		500	(500)
TOTAL PUBLIC SAFETY	19,100	16,240	2,860
PUBLIC WORKS			
Department of Public Works:			
Wages and Fringes		7,688	
Supplies			
Contracted Services		1,265	
Transportation			
Insurance		4,869	
Utilities			
Miscellaneous		441	
Capital Outlay			
Total Dept of Public Works:	16,000	14,263	1,737
Roads and Bridges:	1,000	1,423	(423)
Garbage Removal:	1,500	1,833	(333)
Street Lighting:	8,400	8,815	(415)
TOTAL PUBLIC WORKS	26,900	26,334	566
RECREATION AND CULTURAL			
Senior Citizens Center:			
Repairs and Maintenance Supplies		341	
Utilities		7,659	
	8,000	8,000	0

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
RECREATION AND CULTURAL (CONTINUED)			
Library:			
Salaries, Wages and Fringes		11,396	
Contracted Services		1,576	
Supplies		1,192	
Books and Subscriptions		4,528	
Travel		464	
Utilities		1,655	
Capital Outlay			
Insurance			
Telephone		872	
Miscellaneous		3,390	
	27,000	25,073	1,927
TOTAL RECREATION AND CULTURAL	35,000	33,073	1,927
OTHER FUNCTIONS			
General Labor-FICA		217	
Insurance-Hospitalization Insurance		5,736	
Other		155	
TOTAL OTHER FUNCTIONS	15,000	6,108	8,892
TOTAL EXPENDITURES	$139,100	$133,713	$5,387

COMBINING BALANCE SHEET - ENTERPRISE FUNDS
TOWNSHIP OF McMILLAN

	March 31, 2008			March 31, 2007		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
		ASSETS			ASSETS	
CURRENT ASSETS						
Cash:						
Demand Deposits and Savings	$118,128	$25,904	$144,032	$99,561	$23,519	123,080
Customer Accounts Receivable:						
Current	14,311	20,210	34,521	12,749	13,176	25,925
Delinquent	7,575	7,307	14,882	7,431	7,109	14,540
Other						
Due from Other Funds	30,760		30,760	44,599	394	44,993
TOTAL CURRENT ASSETS	170,774	53,421	224,195	164,340	44,198	208,538
UTILITY PLANT IN SERVICE	1,557,947	2,202,848	3,760,795	1,557,947	2,202,848	3,760,795
Less Allowance for Depreciation	532,746	425,765	958,511	491,313	381,579	872,892
	1,025,201	1,777,083	2,802,284	1,066,634	1,821,269	2,887,903
Construction in Progress						
	1,025,201	1,777,083	2,802,284	1,066,634	1,821,269	2,887,903
OTHER ASSETS						
Restricted Cash:						
Bond Reserve Account	34,595	30,427	65,022	34,455	30,427	64,882
General Purpose Account	10,296		10,296	10,194		10,194
	44,891	30,427	75,318	44,649	30,427	75,076
TOTAL ASSETS	$1,240,866	$1,860,931	$3,101,797	$1,275,623	$1,895,894	$3,171,517
		LIABILITIES			LIABILITIES	
CURRENT LIABILITIES						
Accounts Payable	$46	$350	$396	$1,003	$841	$1,844
Payroll and Related Withholdings						
Interest	4,070	7,046	11,116	4,238	7,118	11,356
Due General Fund						
Due to Water Fund		25,927	25,927		25,927	25,927
Deferred Revenue						
Current Maturity/Long-Term Debt	12,500	6,600	19,100	12,500	5,500	18,000
TOTAL CURRENT LIABILITIES	16,616	39,923	56,539	17,741	39,386	57,127
LONG-TERM DEBT						
Note Payable to Bank						
Revenue Bonds Payable	278,000	536,000	814,000	290,500	541,500	832,000
	278,000	536,000	814,000	290,500	541,500	832,000
Less Amt.Classif./Current Liab.	12,500	6,600	19,100	12,500	5,500	18,000
	265,500	529,400	794,900	278,000	536,000	814,000
RETAINED EARNINGS (DEFICIT)	958,750	1,291,608	2,250,358	979,882	1,320,508	2,300,390
TOTAL LIABILITIES AND EQUITY	$1,240,866	$1,860,931	$3,101,797	$1,275,623	$1,895,894	$3,171,517

COMBINING STATEMENT OF REVENUES, EXPENSES AND
ENTERPRISE
TOWNSHIP OF

	Year ended March 31, 2008		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges to Customers	$63,747	$72,162	$135,909
Hydrant Rental	3,600		3,600
Other	1,186	75	1,261
	68,533	72,237	140,770
Operating Expenses:			
Salaries and Wages	9,187	10,066	19,253
Employee Benefits	703	770	1,473
Supplies	3,131	1,600	4,731
Repairs	5,127	850	5,977
Outside Services	5,319	2,965	8,284
Utilities	3,720	6,400	10,120
Provision for Depreciation	41,433	44,187	85,620
Insurance and Bonds	5,997	6,432	12,429
Collection Fees	62	60	122
Travel			
Other	2,805	3,458	6,263
	77,484	76,788	154,272
OPERATING INCOME (LOSS)	(8,951)	(4,551)	(13,502)
Other Income:			
Interest Earned	964	73	1,037
Equipment Reimbursement			
Construction Grant			
	964	73	1,037
	(7,987)	(4,478)	(12,465)
Other Deduction - Interest on Long-Term Debt	13,145	24,422	37,567
NET INCOME (LOSS)	(21,132)	(28,900)	(50,032)
Retained earnings beginning of year,	979,882	1,320,508	2,300,390
RETAINED EARNINGS AT YEAR END	$958,750	$1,291,608	$2,250,358

CHANGES IN RETAINED EARNINGS
FUNDS
McMILLAN

Year ended March 31, 2007		
Water Fund	Sewer Fund	Total
$65,907	$63,635	$129,542
3,600		3,600
69,507	63,635	133,142
10,195	9,138	19,333
783	704	1,487
2,743	736	3,479
5,831	896	6,727
6,969	2,820	9,789
4,593	5,041	9,634
41,433	44,852	86,285
6,347	6,029	12,376
73	73	146
581		581
1,586	2,350	3,938
81,136	72,639	153,775
(11,629)	(9,004)	(20,633)
1,359	76	1,435
1,359	76	1,435
(10,270)	(8,928)	(19,198)
13,747	24,672	38,419
(24,017)	(33,600)	(57,617)
1,003,899	1,354,108	2,358,007
$979,882	$1,320,508	$2,300,390

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2008		
	Water Fund	Sewer Fund	Total
Cash Flows / Operating Activities:			
Cash Received from Customers	$62,041	$64,930	$126,971
Hydrant Rental	3,600		3,600
Other Income	1,186	75	1,261
Payments to suppliers	(27,118)	(22,256)	(49,374)
Payments to employees	(10,058)	(10,908)	(20,966)
Internal Activity-Payments from other funds	13,839	393	14,232
NET CASH PROVIDED BY OPERATING ACTIVITIES	43,490	32,234	75,724
Cash Flows from Capital and Related Financing Activities:			
Construction Grant			
Proceeds from Borrowing			
Principal Paid on Revenue Bonds			
Principal Paid on Note Payable			
Principal and Interest on Long Term Debt	(25,645)	(29,922)	(55,567)
Construction on Utility Plant			
Equipment Purchase			
NET CASH FROM (USED FOR) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(25,645)	(29,922)	(55,567)
Cash Flows from Investing Activities -			
Interest Earned	964	73	1,037
NET INCREASE (DECREASE) IN CASH	18,809	2,385	21,194
Cash at Beginning of Year	144,210	53,946	198,156
CASH AT END OF YEAR	$163,019	$56,331	$219,350
Balance Sheet Classifications of Cash and Cash Equivalents			
Demand Deposits and Savings	$118,128	$25,904	$144,032
Restricted Assets	44,891	$30,427	75,318
TOTAL CASH AND CASH EQUIVALENTS	$163,019	$56,331	$219,350

- ENTERPRISE FUNDS
McMILLAN

Year ended March 31, 2007		
Water Fund	Sewer Fund	Total
$69,932	$65,967	$135,899
3,600		3,600
(28,273)	(17,521)	(45,794)
(10,978)	(9,842)	(20,820)
(7,367)	18,371	11,004
26,914	56,975	83,889
(26,247)	(30,172)	(56,419)
		0
		0
(26,247)	(30,172)	(56,419)
1,359	76	1,435
2,026	26,879	28,905
142,184	27,067	169,251
$144,210	$53,946	198,156
$99,561	$23,519	$123,080
44,649	30,427	75,076
$144,210	$53,946	$198,156

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2008		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(8,951)	(4,551)	(13,502)
Adjustments to Reconcile Operating Income(Loss)to Net Cash Provided by Operating Activities:			
Depreciation	41,433	44,186	85,619
Change in Assets and Liabilities			
Customer Accounts Receivable	(1,706)	(7,232)	(8,938)
Due from Other Funds	13,839		13,839
Accounts Payable	(957)	(491)	(1,448)
Payroll & Related Withholdings			
Due Other Funds/Interfund adjustment		394	394
Deferred Revenue			
Interest Payable	(168)	(72)	(240)
Decrease in Construction in Progress			
Total Adjustments	52,441	36,785	89,226
NET CASH PROVIDED BY OPERATING ACTIVITIES	$43,490	$32,234	$75,724

- ENTERPRISE FUNDS (CONTINUED)
McMILLAN

Year ended March 31, 2007		
Water Fund	Sewer Fund	Total
(11,629)	(9,004)	(20,633)
41,433	44,852	86,285
4,025	2,332	6,357
(7,367)	0	(7,367)
619	495	1,114
	18,371	18,371
(167)	(71)	(238)
38,543	65,979	104,522
$26,914	$56,975	$83,889

TOWNSHIP OF MCMILLAN
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
March 31, 2008

	Trust Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	$16,420	$4,618	$21,038
TOTAL ASSETS	$16,420	$4,618	$21,038
LIABILITIES			
Due to Other Funds		$956	$956
Due to Others		3,662	3,662
Fund Balance	16,420		16,420
TOTAL LIABILITIES AND EQUITY	$16,420	$4,618	$21,038

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

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*.

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan as of and for the year ended March 31, 2008, which collectively comprise the Township of McMillan's basic financial statements and have issued my report thereon dated September 23, 2008. I conducted my 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 and with standard prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of McMillan's internal control over financial reporting 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 the Township of McMillan's control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township of McMillan's internal control over financial reporting.

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 Township of McMillan'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 Township of McMillan's financial statements that is more than inconsequential will not be prevented or detected by the Township of McMillan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of McMillan's internal control.

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan's general purpose financial statements are free of material misstatement, I 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. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Certified Public Accountant
Bergland, Michigan
September 23, 2008

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, MI 49925

COMMENTS AND RECOMMENDATIONS LETTER

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

In connection with my audit of the financial statements of McMillan Township for the year ended March 31, 2008, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

General Fund Deficit

As of March 31, 2008 the Township has a General Fund budget deficit of $2,364. It will be necessary for the Township to prepare a deficit elimination plan for the Michigan Department of Treasury showing how it plans to eliminate this deficit. The deficit was decreased by $21,250 during the 2007-2008 fiscal year.

Budgets

The current Township budget is not prepared in sufficient detail to facilitate budgetary control. The Township should prepare a more detailed budget to enhance budgetary control, monitor the budget throughout the year and amend it when necessary. This is a repeat comment from prior audits.

Reserve Accounts

The Water and Sewer Funds are required to maintain various reserve accounts to satisfy bond indenture requirements. There are instances of noncompliance as detailed in the notes to the financial statements. The Township should more carefully monitor these deposit requirements to insure compliance with these bond indenture requirements. This is also a repeat comment from prior audits.

Township Accounting System

As recommended in last years comments and recommendations letter the township has made progress in establishing a general ledger system and has recorded revenue and expenditure transactions as well as some balance sheet transactions. We recommend the township continue their efforts in this area and to include all balance sheet accounts including cash accounts. Also, cash

accounts should be reconciled monthly to the general ledger balances.
I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended soley for the use of management and other governmental regulatory agencies and should not be used for any other purpose.

Certified Public Accountant

September 23, 2008