

**HOUGHTON LAKE BUILDING AGENCY
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Board of Directors

Chairperson – Fred Chidester (Denton Township)

Secretary – Louise Nagy (Backus Township)

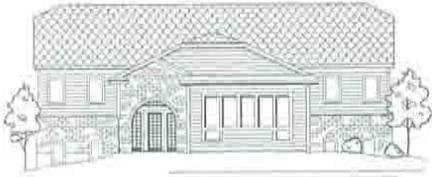
At Large – Diane Randall (Roscommon Township)

At Large – Carl Geiger (Markey Township)

At Large – Barry Poindexter (Lake Township)

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Statement of Net Assets	5
Statement of Revenues, Expenses, and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Required Supplemental Information	
Statement of Revenue, Expenses, and Changes in Net Assets – Budget and Actual	14



Keskin, Cook, Miller & Reppuhn, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

Independent Auditor's Report

November 6, 2008

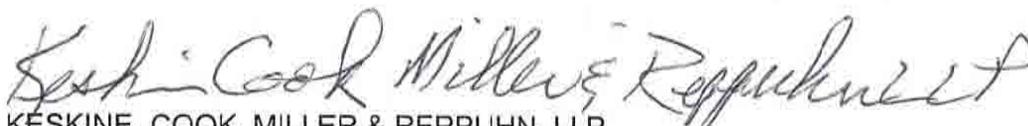
To the Members of the Board
Houghton Lake Building Agency
Roscommon County, Michigan

We have audited the accompanying financial statements of the business-type activity and the major fund of the Houghton Lake Building Agency as of and for the year ended December 31, 2007, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the major fund information of the Houghton Lake Building Agency as of December 31, 2007, the respective changes in financial position and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 2-3, and the statement of revenues, expenditures, and changes in fund balance – budget and actual – page 13, 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 supplementary information. However, we did not audit the information and express no opinion on it.


KESKINE, COOK, MILLER & REPPUHN, LLP

HOUGHTON LAKE BUILDING AGENCY
1250 S. HARRISON RD. - P.O. BOX 8
HOUGHTON LAKE, MI 48629
TELEPHONE 989-422-3687 FAX 989-422-7241

**HOUGHTON LAKE BUILDING AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

This section of the annual financial report of the Houghton Lake Building Agency presents our discussion and analysis of the entity's financial performance during the fiscal year ended December 31, 2007. Please read it in conjunction with the financial statements which immediately follow this section.

Financial Highlights

Our financial status improved over the last year. The change in net assets was \$3,798.

Assets remained consistent totaling approximately \$50,000 as of December 31, 2007.

Overall revenues were approximately \$189,000, which are nearly entirely comprised of charges for building permits. Revenues decreased approximately 7% from the year ended December 31, 2006 and approximately 34% from the year ended December 31, 2005. The decline in revenue is attributed to the decrease in building activity which has accompanied a weak overall economy and falling real estate prices.

Overall expenses totaled approximately \$186,000. The cost of the operations decreased approximately 19% from the year ended December 31, 2006 and approximately 29% from the year ended December 31, 2005. The decrease in expenses is attributed to a decline in building permits which decreases the amount paid to the inspectors. In addition, the Agency has cut costs where possible and eliminated a clerical position to help reduce overall expenses.

Overview of the Financial Statements

This annual report consists of two parts, management discussion and analysis and the basic financial statements. The basic financial statements include three different statements that present different aspects of the Agency, notes to the financial statements, and supplemental information.

The first statement is the Statement of Net Assets which shows the assets and liabilities of the Agency as of December 31, 2007. The second statement is the Statement of Revenues, Expenses, and Changes in Net Assets which shows the revenue, expenses, and change in net assets, or net income, for the year ended December 31, 2007. The third statement is the Statement of Cash Flows summarizes the year's cash activity.

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

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

To assess overall health of the entity, you may also have to consider additional factors such as changes in the local economy and the amount of building and repair activity in the area.

The activity of the Agency – the issuance of permits and inspections – is reported as a business-type activity. The Agency has no governmental activities.

The Agency has the following fund:

General Fund – All of the entity's activities are included in this fund category. The fund is presented on the accrual basis, as required for enterprise funds, which is designed to show both short and long-term financial information.

Financial Analysis of the Entity as a Whole

Net Assets – the entity's combined net assets increased by \$3,798 during the year ended December 31, 2007 totaling \$38,556.

Financial Analysis of the Agency's Fund

The activities of the Agency have remained constant, consisting of the issuance of plumbing, electrical, mechanical, and building permits and the related expense of examining the new construction and remodeling projects.

Capital Asset and Long-term Debt Activity

Capital Assets – The Agency did not purchase any new capital assets during the year.

Long-term Debt – The Agency has no outstanding long-term financing arrangements. The accrual for long-term sick pay increased by \$380 to total

\$7,446, reflecting the actual balances accrued to all employees as of December 31, 2007.

Known Factors affecting Future Operations

None.

Contacting Entity Management

This financial report is designed to provide taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report please contact Ms. Sherrie Ciaramitaro at 1250 South Harrison Road, Houghton Lake, MI 48629.



Fred Chidester, Chairperson of the Board
January 8, 2009

**HOUGHTON LAKE BUILDING AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

Assets		
Current Assets:		
Cash	\$	24,268
Investments		19,351
Accounts Receivable		3,566
		47,185
Noncurrent assets:		
Capital assets, net of accumulated depreciation		2,614
Total assets		49,799
 Liabilities		
Current liabilities:		
Accrued liabilities		3,797
Noncurrent liabilities:		
Accrued compensated absences		7,446
Total liabilities		11,243
 Net Assets		
Investment in capital assets		2,614
Unrestricted		35,942
Total net assets	\$	38,556

See accompanying notes to financial statements.

**HOUGHTON LAKE BUILDING AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007**

Operating Revenue	
Plumbing permits	\$ 18,957
Electrical permits	45,768
Mechanical permits	29,055
Building permits	88,903
Miscellaneous	6,793
	<hr/>
Total operating revenue	189,476
 Operating Expenses	
Contractual services - inspectors	67,823
Wages	64,631
Health Insurance	17,250
Retirement	5,802
Payroll taxes	4,701
Rent	7,200
Travel	7,273
Insurance	4,625
Telephones and internet service	3,787
Office supplies	1,010
Postage and printing	544
Education	75
Depreciation	218
Miscellaneous	739
	<hr/>
Total operating expenses	185,678
	<hr/>
Change in net assets	3,798
 Net Assets - January 1, 2007	 34,758
	<hr/>
Net Assets - December 31, 2007	\$ 38,556
	<hr/> <hr/>

**HOUGHTON LAKE BUILDING AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003**

Cash Flows from Operating Activities

Cash received from customers	\$ 189,476
Cash payments to vendors for goods and services	(52,425)
Cash payments to employees for services rendered	(64,631)
Cash payments to contractual inspectors for services rendered	(67,823)
	<hr/>
Net cash provided by operating activities	4,597
Cash and cash equivalents - January 1, 2007	19,671
	<hr/>
Cash and cash equivalents - December 31, 2007	\$ 24,268
	<hr/> <hr/>

**Reconciliation of Change in Net Assets to Net Cash Provided
by Operating Activities:**

Change in net assets	\$ 3,798
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	218
Changes in assets and liabilities:	
Increase in accounts receivable	(1,599)
Increase in accrued liabilities	392
Increase in compensated absence accrual	190
	<hr/>
Net cash provided by operating activities	\$ 4,597
	<hr/> <hr/>

See accompanying notes to financial statements.

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1: Entity

The Houghton Lake Building Agency was created in 1974 under section 9 of Act 230 of 1972 and is a "Township Joint Enforcing Agency". The participating Townships are Roscommon, Backus, Denton, Lake, and Markey, all located within Roscommon County. Each Township passed an ordinance to adopt this Agency as its plumbing, mechanical, electrical, and building permit and inspection agency.

The act and ordinance give the Agency the authority to discharge the permit and inspection duties, which include the issuance of permits, collection of fees, and performance of inspections.

Separate financial statements of each participating township are located as follows:

Roscommon Township
P.O. Box 610
Houghton Lake, MI 48629

Backus Township
2360 S. Maple Valley Rd.
St. Helen, MI 48656

Denton Township
2565 S. Gladwin Rd.
Prudenville, MI 48651

Lake Township
11786 West Shore Drive
Houghton Lake, MI 48629

Markey Township
4974 E. Houghton Lake Dr.
Houghton Lake, MI 48629

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Houghton Lake Building Agency are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures, of the Agency's financial activities for the fiscal year ended December 31, 2007.

The accounting policies of the Agency conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 2: Summary of Significant Accounting Policies

Fund Types and Major Funds

Enterprise Fund

The Authority reports the following major enterprise fund:

General Fund - This is the general operating fund of the Agency. It is used to account for all financial resources related the issuance of permits and inspections, which is the only current activity of the Agency.

Measurement Focus and Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Government-Wide and Fund Financial Statements

As the Agency has only one enterprise fund, it qualifies under Governmental Accounting Standards Board No. 34's definition of a Special Purpose Entity. As such, only one set of financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting, is presented since the government-wide and fund financial statements for a business-type activity are the same. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Accounts Receivable

Accounts receivable are recorded for permits that are ready to be issued upon payment. All receivables are considered fully collectible and no allowance for doubtful accounts is recorded.

Capital Assets and Depreciation

The Agency's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Agency has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Agency generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

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

Computer Equipment	5 – 7
Office Furniture	10 – 20

For information describing capital assets, see Note 4.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Budgets

The budget is prepared and submitted to the participating townships for approval. The budget is normally prepared in the beginning of each year. Amendments are made to the budget as required during the year. During the year ended December 31, 2007, the Agency experienced no overexpenditures.

Note 3: Cash and Investments

All cash and investments are maintained in financial institutions in the Houghton Lake, Michigan area and are stated at cost, which approximates fair market value. Investments consist of certificates of deposit with original maturities in excess of 90 days. All cash deposits are maintained in accounts as approved by State Statutes.

The Agency's deposits are categorized to give an indication of the level of risk assumed by the Agency at fiscal year-end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the Agency or by its agent in the Agency's name.
- Category 2 – Collateralized with securities held by the pledging Financial institution's trust department or agent in the Agency's name.
- Category 3 – Uncollateralized.

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 3: Cash and Investments (Continued)

Bank Balance	1	Category		Carrying Amount
2	3	4	5	6
\$ 27,638	\$ 24,268	\$ -	\$ -	\$ 24,268

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Agency's investments are as follows:

- (1) Insured or securities held by the Agency or the agent in the Agency's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Agency's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Agency's name.

Balances at December 31, 2005 consist of the following:

	1	Category		Carrying Amount
	2	3	4	5
CD's	\$ -	\$ 19,351	\$ -	\$ 19,351

Note 4: Capital Assets

The Agency's capital assets as of December 31, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Capital assets being depreciated:				
Office furniture	\$ 5,914	\$ -	\$ -	\$ 5,914
Computer equipment	4,358	-	-	4,358
Subtotal	10,272	-	-	10,272
Accumulated depreciation:				
Office furniture	5,914	-	-	5,914
Computer equipment	1,526	218	-	1,744
Subtotal	7,440	218	-	7,658
Net capital assets	\$ 2,832	\$ (218)	\$ -	\$ 2,614

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 5: Rent

The Houghton Lake Sewer Authority owns the building that houses the offices of the Building Agency. The Building Agency, under a year-to-year oral operating leasing agreement, paid rent expense of \$600 a month to the Sewer Authority in 2007.

Note 6: Pension Plan

The Houghton Lake Building Agency employees participate in the Houghton Lake Sewer Authority Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Agency's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all full time and permanent part-time employees are eligible to participate in the plan. Contributions are made by the Agency and vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Agency to contribute 10% of the eligible employees wages. During the year, the Agency contributed \$5,802 to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Agency or its employees.

Note 7: Insurance

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Agency participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Agency pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

**HOUGHTON LAKE BUILDING AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 7: Insurance (Continued)

The Agency has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year.

**HOUGHTON LAKE BUILDING AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Operating Revenue				
Plumbing permits	27,000	27,000	18,957	\$ (8,043)
Electrical permits	53,975	53,975	45,768	(8,207)
Mechanical permits	40,875	40,875	29,055	(11,820)
Building permits	115,000	115,000	88,903	(26,097)
Miscellaneous	7,000	7,000	6,793	(207)
Total operating revenue	243,850	243,850	189,476	(54,374)
Operating Expenses				
Contractual services - inspectors	85,357	85,357	67,823	17,534
Wages	76,004	76,004	64,631	11,373
Health Insurance	16,900	16,900	17,250	(350)
Retirement	6,800	6,800	5,802	998
Payroll taxes	5,500	5,500	4,701	799
Board members	3,000	3,000	-	3,000
Rent	7,200	7,200	7,200	-
Travel	6,000	6,000	7,273	(1,273)
Insurance	7,600	7,600	4,625	2,975
Telephone and internet service	5,110	5,110	3,787	1,323
Office supplies	3,400	3,400	1,010	2,390
Postage and printing	1,175	1,175	544	631
Education	500	500	75	425
Depreciation	-	-	218	(218)
Miscellaneous	4,825	4,825	739	4,086
Contingency	14,479	14,479	-	14,479
Total operating expenses	243,850	243,850	185,678	58,172
Change in net assets	-	-	3,798	3,798
Net Assets - January 1, 2007	34,758	34,758	34,758	-
Net Assets - December 31, 2007	34,758	34,758	38,556	\$ 3,798



Keskin, Cook, Miller & Reppuhn, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 6, 2008

To the Board
Houghton Lake Building Agency
Houghton Lake, MI

We have audited the financial statements of the business-type activity of the Houghton Lake Building Agency (The Agency) for the year ended December 31, 2007, and have issued our report thereon dated November 6, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Agency's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 8, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Agency's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Agency has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Agency has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Agency has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Houghton Lake Building Agency's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


Keskine, Cook, Miller & Reppuhn, LLP



Keskin, Cook, Miller & Reppuhn, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

November 6, 2008

To the Board
Houghton Lake Building Agency
Houghton Lake, MI

In planning and performing our audit of the financial statements of the business-type activity of the Houghton Lake Building Agency (the Agency) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Agency'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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

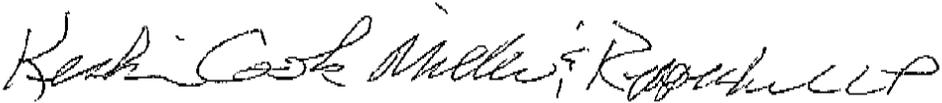
Segregation of Duties

A property designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Agency's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Agency has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Agency has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Agency has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Houghton Lake Building Agency's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Keskin, Cook, Miller & Reppuhn, LLP