

Charter Township of Brownstown Wayne County, Michigan

**Financial Report
with Supplemental Information
December 31, 2007**

Charter Township of Brownstown

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Independent Auditor's Report

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide opinions 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 our audit.

Plante & Moran, PLLC

June 5, 2008

Charter Township of Brownstown

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Brownstown's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- The DDA still holds title to the land purchased in 2004 for the Town Center Development that is to be sold to developers in future years.
- State-shared revenue, the General Fund's largest single revenue source at \$2,222,000, was reduced by the State of Michigan by approximately \$51,000 for 2007 from the 2006 figure, but is \$569,000 less than received in 2002.
- The General Fund unreserved fund balance increased by approximately \$750,000 in 2007. The amount designated for the 2008 budget increased by nearly \$40,000 to \$171,000.
- The 2006 taxable value of the entire Township increased by 9.4 percent (the value used to calculate 2007 tax revenue). The non-DDA capture taxable value increased by 9 percent while the captured taxable value in the DDA district increased by 10.6 percent.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 17,548,000	\$ 15,192,000	\$ 8,293,000	\$ 8,586,000	\$ 25,841,000	\$ 23,778,000
Capital and restricted assets	<u>25,253,000</u>	<u>24,938,000</u>	<u>67,861,000</u>	<u>64,438,000</u>	<u>93,114,000</u>	<u>89,376,000</u>
Total assets	42,801,000	40,130,000	76,154,000	73,024,000	118,955,000	113,154,000
Liabilities						
Current liabilities	14,500,000	13,340,000	3,472,000	3,452,000	17,972,000	16,792,000
Long-term liabilities	<u>8,157,000</u>	<u>8,562,000</u>	<u>10,379,000</u>	<u>10,825,000</u>	<u>18,536,000</u>	<u>19,387,000</u>
Total liabilities	<u>22,657,000</u>	<u>21,902,000</u>	<u>13,851,000</u>	<u>14,277,000</u>	<u>36,508,000</u>	<u>36,179,000</u>
Net Assets						
Invested in capital assets -						
Net of related debt	16,245,000	15,438,000	53,710,000	49,944,000	69,955,000	65,382,000
Restricted	974,000	762,000	2,000,000	1,878,000	2,974,000	2,640,000
Unrestricted	<u>2,925,000</u>	<u>2,028,000</u>	<u>6,593,000</u>	<u>6,925,000</u>	<u>9,518,000</u>	<u>8,953,000</u>
Total net assets	<u>\$ 20,144,000</u>	<u>\$ 18,228,000</u>	<u>\$ 62,303,000</u>	<u>\$ 58,747,000</u>	<u>\$ 82,447,000</u>	<u>\$ 76,975,000</u>

The Township's combined net assets increased 7.1 percent from a year ago, increasing from \$76,975,000 to \$82,447,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets increased by \$1,916,000 in governmental type and increased by \$3,556,000 in business type.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$897,000 for the governmental activities. This represents an increase of approximately 44 percent. The current level of unrestricted net assets for our governmental activities stands at \$2,925,000, or about 16 percent of program expenses (compared to 11 percent in 2006).

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

Summary Condensed Statement of Operations

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 5,629,000	\$ 5,118,000	\$ 6,693,000	\$ 6,509,000	\$ 12,322,000	\$ 11,627,000
Operating grants and contributions	163,000	166,000	-	-	163,000	166,000
Capital grants and contributions	1,858,000	2,320,000	4,123,000	752,000	5,981,000	3,072,000
General revenue:						
Property taxes	9,363,000	8,614,000	1,243,000	1,129,000	10,606,000	9,743,000
State-shared revenue	2,231,000	2,251,000	-	-	2,231,000	2,251,000
Investment earnings	253,000	242,000	316,000	379,000	569,000	621,000
Cable franchise fees	345,000	276,000	-	-	345,000	276,000
Gain (loss) on sale of assets	(1,000)	(4,000)	1,000	2,000	-	(2,000)
Miscellaneous	14,000	18,000	-	-	14,000	18,000
Transfers and other revenue (expense)	31,000	33,000	(31,000)	(33,000)	-	-
Total revenue	19,886,000	19,034,000	12,345,000	8,738,000	32,231,000	27,772,000
Program Expenses						
General government	2,965,000	2,560,000	-	-	2,965,000	2,560,000
Public safety	10,169,000	10,550,000	-	-	10,169,000	10,550,000
Public works	2,037,000	2,093,000	-	-	2,037,000	2,093,000
Community and economic development	1,283,000	1,389,000	-	-	1,283,000	1,389,000
Recreation and culture	1,239,000	1,269,000	-	-	1,239,000	1,269,000
Interest on long-term debt	277,000	590,000	-	-	277,000	590,000
Water and sewer	-	-	8,789,000	8,511,000	8,789,000	8,511,000
Total program expenses	17,970,000	18,451,000	8,789,000	8,511,000	26,759,000	26,962,000
Change in Net Assets	\$ 1,916,000	\$ 583,000	\$ 3,556,000	\$ 227,000	\$ 5,472,000	\$ 810,000

Governmental Activities

The Township's total governmental revenues increased by approximately \$852,000, an increase of 4.5 percent. Property taxes increased by \$749,000 and investment earnings increased by \$11,000, but these were offset by a decrease of \$462,000 in grants and contributions along with decreases in revenue sharing and building department permits.

Expenses decreased by \$481,000 (2.6 percent) during the year, resulting in a net increase in net assets of \$1,333,000.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Detroit water system. We provide sewage treatment through the South Huron Valley Utility Authority and the Downriver Sewerage System. The net assets of both activities increased in 2007 mostly due to contribution of water and sewer mains from developers. The overall increase is also due to the Township's investment in the South Huron Valley Utility Authority.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental-type funds for 2007 include the General Fund, the Police Operation Fund, and the Fire Protection Fund. The business-type funds are the Sanitary Sewer Fund and the Water Fund.

The General Fund pays for most of the Township's governmental services including transfers to Police and Fire Funds to balance their budgets. The most significant costs are police and fire activities, which incurred expenses of approximately \$5,117,000 (11 percent decrease over 2006) and \$3,963,000 (4.4 percent increase over 2006), respectively, in 2007. These two services are supported by special millages that are recorded in their individual Special Revenue Funds. These funds also record the transfers from the General Fund. The amount transferred from the General Fund is determined by the amount needed to balance the budgets as approved by the Township board. During the current year, the General Fund transferred approximately \$1.1 million to the Fire Protection Fund. The Police Operation Fund was able to return approximately \$750,000 to the General Fund to repay transfers from prior years.

During 2007, the Township constructed a new 4,500 square foot animal shelter and continued landscape improvements funded by the Downtown Development Authority; completed Brownstown's portion of the Linked Greenways Path funded partially with grant dollars; built an ADA approved trail with CDBG funds linking Boller Meadows senior apartments with the police station, township hall, and community center; and constructed a safety town complex within Thorn Park.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The largest increases were to the zoning board (\$75,000), the district court (\$53,000), and the Wayne County Library System (\$35,000) with offsetting decreases to several activity areas. Revenues were amended by \$75,000 for payment for destruction of trees and actual revenues and transfers in were \$505,000 more than budgeted. Even though there is continued growth in the Township, permits related to construction were down \$90,000 from 2006. Township departments overall stayed below the amended budget amounts, resulting in total expenditures and transfers of \$413,000 below budget. The overall actual revenues and transfers were greater than expenditures and transfers so the General Fund's undesignated fund balance increased from \$217,000 a year ago to \$965,000 at December 31, 2007, representing 6 percent of 2008 combined budgeted expenditures for the General Fund and Police Operation and Fire Protection Funds. Last year, this figure was 1.3 percent of 2007 combined budgeted expenditures for the same funds.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$89,200,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation. In addition, the Township has invested significantly in roads within the Township. These assets, worth nearly \$6,000,000, net of related accumulated depreciation, are reported in the Township's financial statements as investment in infrastructure. Because Michigan law makes these roads the property of Wayne County Road Commission, along with the responsibility to maintain them, they are listed as road usage rights.

During the year, the Township retired approximately \$2.3 million of debt. At the end of the year, the Township had \$7.8 million in bonds and notes outstanding for governmental-type activities compared to \$8.4 million at December 31, 2006, while business-type activities, all in the Sewer Fund, had \$10.9 million outstanding at the end of the year compared to \$11.4 million in the prior year. The DDA component unit has \$14.3 million in outstanding debt compared to \$15 million in the prior year.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates 25/100 of a mill less than levied for the 2007 budget. Two sewer bonds plus the EPA levy have lower payments in 2008 than 2007. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

We anticipate that water rates will increase 10 percent and sewer rates 8 percent in 2008.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Brownstown

Statement of Net Assets December 31, 2007

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 10,154,035	\$ 6,508,002	\$ 16,662,037	\$ 4,722,144
Receivables - Net (Note 4)	7,372,173	1,662,559	9,034,732	2,497,060
Inventories	18,856	123,160	142,016	-
Prepaid costs and other assets	2,955	355	3,310	-
Due from primary government	-	-	-	250,000
Restricted assets (Note 9)	-	2,001,076	2,001,076	-
Investment in joint venture (Note 13)	1,201,065	687,896	1,888,961	-
Land held for resale (Note 8)	-	-	-	14,265,000
Nondepreciable capital assets (Note 5)	4,209,817	1,112,723	5,322,540	-
Depreciable capital assets - Net (Note 5)	19,842,269	64,059,080	83,901,349	-
Total assets	42,801,170	76,154,851	118,956,021	21,734,204
Liabilities				
Accounts payable	731,823	588,972	1,320,795	475,454
Accrued and other liabilities	1,034,027	19,059	1,053,086	-
Due to component unit	-	250,000	250,000	-
Deposits	36,420	153,545	189,965	-
Escrows	667,601	153,651	821,252	-
Deferred revenue (Note 4)	11,007,312	1,123,040	12,130,352	4,514,624
Compensated absences:				
Due within one year	516,977	27,671	544,648	-
Due in more than one year	855,890	11,910	867,800	-
Current liabilities payable from restricted assets (Note 9)	-	548,348	548,348	-
Long-term debt (Note 7):				
Due within one year	505,478	607,862	1,113,340	710,000
Due in more than one year	7,301,444	10,367,314	17,668,758	13,610,000
Total liabilities	22,656,972	13,851,372	36,508,344	19,310,078
Net Assets				
Invested in capital assets - Net of related debt	16,245,164	53,709,841	69,955,005	-
Restricted:				
Road improvement	21,917	-	21,917	-
Police and fire improvement	726,825	-	726,825	-
Drug forfeiture	224,905	-	224,905	-
Capital projects	-	923,560	923,560	-
Debt service	-	1,077,516	1,077,516	-
Unrestricted	2,925,387	6,592,562	9,517,949	2,424,126
Total net assets	\$ 20,144,198	\$ 62,303,479	\$ 82,447,677	\$ 2,424,126

Charter Township of Brownstown

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,965,498	\$ 1,722,306	\$ 104,808	\$ 112,500
Public safety	10,168,784	1,638,681	26,938	1,015,899
Public works	2,036,752	1,333,707	-	522,733
Community and economic development	1,282,909	651,897	-	92,245
Recreation and culture	1,239,252	282,319	31,368	114,617
Interest on long-term debt	276,836	-	-	-
Total governmental activities	17,970,031	5,628,910	163,114	1,857,994
Business-type activities - Water and sewer	8,789,105	6,693,281	-	4,123,245
Total primary government	<u>\$ 26,759,136</u>	<u>\$ 12,322,191</u>	<u>\$ 163,114</u>	<u>\$ 5,981,239</u>
Component unit - Downtown Development Authority	<u>\$ 3,367,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,870</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Cable franchise fees				
Gain (loss) on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (1,025,884)	\$ -	\$ (1,025,884)	\$ -
(7,487,266)	-	(7,487,266)	-
(180,312)	-	(180,312)	-
(538,767)	-	(538,767)	-
(810,948)	-	(810,948)	-
(276,836)	-	(276,836)	-
(10,320,013)	-	(10,320,013)	-
-	2,027,421	2,027,421	-
(10,320,013)	2,027,421	(8,292,592)	-
-	-	-	(3,243,092)
9,362,665	1,243,271	10,605,936	4,299,377
2,231,030	-	2,231,030	-
253,181	315,452	568,633	143,365
344,309	-	344,309	-
(952)	1,381	429	-
14,086	-	14,086	-
31,400	(31,400)	-	-
12,235,719	1,528,704	13,764,423	4,442,742
1,915,706	3,556,125	5,471,831	1,199,650
18,228,492	58,747,354	76,975,846	1,224,476
\$ 20,144,198	\$ 62,303,479	\$ 82,447,677	\$ 2,424,126

Charter Township of Brownstown

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 2,111,643	\$ 3,490,136	\$ 1,031,011	\$ 3,521,245	\$ 10,154,035
Receivables - Net (Note 4)	1,784,281	2,970,906	1,287,235	1,314,000	7,356,422
Prepaid costs and other assets	620	1,770	520	-	2,910
Due from other funds (Note 6)	197,469	-	58,969	-	256,438
Total assets	\$ 4,094,013	\$ 6,462,812	\$ 2,377,735	\$ 4,835,245	\$ 17,769,805
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 423,919	\$ 80,594	\$ 56,982	\$ 160,802	\$ 722,297
Accrued and other liabilities	30,800	813,455	137,057	-	981,312
Due to other funds (Note 6)	58,969	-	-	161,034	220,003
Deposits	36,420	-	-	-	36,420
Escrows	533,111	-	-	134,490	667,601
Deferred revenue (Note 4)	1,875,035	5,568,763	2,183,696	1,645,708	11,273,202
Total liabilities	2,958,254	6,462,812	2,377,735	2,102,034	13,900,835
Fund Balances					
Reserved for prepaid costs	620	-	-	-	620
Unreserved, reported in General Fund:					
Designated for subsequent year's budget	170,599	-	-	-	170,599
Undesignated	964,540	-	-	-	964,540
Unreserved, reported in Special Revenue Funds:					
Designated for subsequent year's budget	-	-	-	521,923	521,923
Undesignated	-	-	-	2,211,288	2,211,288
Total fund balances	1,135,759	-	-	2,733,211	3,868,970
Total liabilities and fund balances	\$ 4,094,013	\$ 6,462,812	\$ 2,377,735	\$ 4,835,245	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	24,038,213
Investment in District Court assets is not a financial resource and is not reported in the funds	1,201,065
Delinquent personal property taxes receivable are expected to be collected over several years and are not available to pay for current year expenditures	12,193
Grant revenues are not received within 60 days of year end and are not available to pay for current year expenditures	82,730
Ambulance fee receivables are expected to be collected over several years and are not available to pay for current year expenditures	104,967
Revenues are not received within 60 days of year end and are not available to pay for current year expenditures	66,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(9,178,235)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(51,705)
Net assets of governmental activities	\$ 20,144,198

Charter Township of Brownstown

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 1,205,894	\$ 5,159,322	\$ 1,931,363	\$ 1,066,086	\$ 9,362,665
Licenses and permits	1,274,503	-	-	-	1,274,503
Federal grants	-	-	628	568,364	568,992
State-shared revenues and grants	2,231,030	9,186	-	105,035	2,345,251
Charges for services	616,587	-	-	-	616,587
District Court and other fines	830,582	-	-	-	830,582
Interest and rentals	65,754	63,692	9,269	114,466	253,181
Special assessments	931,785	-	-	-	931,785
Debt charges	-	-	-	587,535	587,535
Other	199,649	512,984	888,772	126,594	1,727,999
Total revenue	7,355,784	5,745,184	2,830,032	2,568,080	18,499,080
Expenditures					
Current:					
General government	2,314,943	-	-	-	2,314,943
Public safety	140,220	5,117,141	3,963,246	48,284	9,268,891
Community and economic development	2,520,599	-	-	258,047	2,778,646
Recreation and culture	1,160,543	-	-	-	1,160,543
Employee benefits and insurance	33,348	-	-	168,910	202,258
Capital outlay	-	-	-	804,116	804,116
Debt service	-	-	-	846,328	846,328
Total expenditures	6,169,653	5,117,141	3,963,246	2,125,685	17,375,725
Excess of Revenue Over (Under) Expenditures	1,186,131	628,043	(1,133,214)	442,395	1,123,355
Other Financing Sources (Uses)					
Transfers in (Note 6)	753,472	250,000	1,228,574	585,767	2,817,813
Transfers out (Note 6)	(1,152,418)	(878,043)	(95,360)	(658,793)	(2,784,614)
Total other financing sources (uses)	(398,946)	(628,043)	1,133,214	(73,026)	33,199
Net Change in Fund Balances	787,185	-	-	369,369	1,156,554
Fund Balances - Beginning of year	348,574	-	-	2,363,842	2,712,416
Fund Balances - End of year	\$ 1,135,759	\$ -	\$ -	\$ 2,733,211	\$ 3,868,970

Charter Township of Brownstown

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 1,156,554
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	509,566
Contributions of capital assets are reported as revenue in the statement of activities, but are not reflected in the fund-based statements	1,104,345
In the statement of activities, the loss on sale of assets is recorded and in the funds the proceeds from sale of assets are reported	(952)
Depreciation on capital assets reported as part of governmental activities	(1,367,094)
Changes in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	66,418
Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	55,004
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	558,681
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(177,628)
Interest expense is recorded when incurred in the statement of activities, but only when due in the fund-based statements	<u>10,812</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,915,706</u>

Charter Township of Brownstown

Proprietary Funds Statement of Net Assets December 31, 2007

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 3,388,454	\$ 989,734	\$ 4,378,188	\$ -
Investments	1,770,158	759,656	2,529,814	-
Receivables (Note 4)	1,100,130	562,429	1,662,559	15,751
Inventories	-	123,160	123,160	18,856
Prepaid costs and other assets	145	210	355	45
Total current assets	6,258,887	2,435,189	8,694,076	34,652
Noncurrent assets:				
Restricted assets (Note 9)	1,097,481	903,595	2,001,076	-
Investment in joint venture (Note 13)	687,896	-	687,896	-
Nondepreciable capital assets (Note 5)	1,112,723	-	1,112,723	-
Depreciable capital assets - Net (Note 5)	45,971,793	18,087,287	64,059,080	13,873
Total noncurrent assets	48,869,893	18,990,882	67,860,775	13,873
Total assets	55,128,780	21,426,071	76,554,851	48,525
Liabilities				
Current liabilities:				
Accounts payable	112,993	475,979	588,972	9,526
Accrued and other liabilities	11,281	7,778	19,059	1,010
Due to other funds (Note 6)	400,000	-	400,000	36,435
Due to component unit	250,000	-	250,000	-
Deposits	135,460	18,085	153,545	-
Escrows	-	153,651	153,651	-
Deferred revenue (Note 4)	1,123,040	-	1,123,040	-
Current portion of compensated absences	10,579	17,092	27,671	1,084
Current liabilities payable from restricted assets (Note 9)	548,348	-	548,348	-
Current portion of long-term debt (Note 7)	607,862	-	607,862	-
Total current liabilities	3,199,563	672,585	3,872,148	48,055
Noncurrent liabilities:				
Provision for compensated absences	5,480	6,430	11,910	470
Long-term debt - Net of current portion (Note 7)	10,367,314	-	10,367,314	-
Total noncurrent liabilities	10,372,794	6,430	10,379,224	470
Total liabilities	13,572,357	679,015	14,251,372	48,525
Net Assets				
Investment in capital assets - Net of related debt	35,622,554	18,087,287	53,709,841	13,873
Restricted	1,097,481	903,595	2,001,076	-
Unrestricted	4,836,388	1,756,174	6,592,562	(13,873)
Total net assets	\$ 41,556,423	\$ 20,747,056	\$ 62,303,479	\$ -

Charter Township of Brownstown

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Operating Revenue				
Sale of water	\$ -	\$ 3,359,052	\$ 3,359,052	\$ -
Sewage disposal charges	2,918,996	-	2,918,996	-
Charges for services	-	-	-	145,872
Other	154,316	180,480	334,796	524
Total operating revenue	3,073,312	3,539,532	6,612,844	146,396
Operating Expenses				
Cost of water	-	2,433,229	2,433,229	-
Cost of sewage disposal	1,308,903	-	1,308,903	-
Operation and maintenance	718,678	597,732	1,316,410	142,872
General and administrative	494,960	657,799	1,152,759	-
Depreciation	1,591,620	663,937	2,255,557	1,725
Total operating expenses	4,114,161	4,352,697	8,466,858	144,597
Operating Income (Loss)	(1,040,849)	(813,165)	(1,854,014)	1,799
Nonoperating Income (Expense)				
Property taxes	1,243,271	-	1,243,271	-
Connection fees	34,876	3,250	38,126	-
Change in investment in joint venture	43,692	-	43,692	-
Investment income	244,346	71,106	315,452	-
Interest expense	(322,247)	-	(322,247)	-
Total nonoperating income	1,243,938	74,356	1,318,294	-
Income (Loss) - Before capital contributions	203,089	(738,809)	(535,720)	1,799
Capital Contributions - Lines constructed by developers	1,841,760	2,281,485	4,123,245	-
Transfers from Other Funds (Note 6)	-	447,957	447,957	-
Transfers to Other Funds (Note 6)	(464,116)	(15,241)	(479,357)	(1,799)
Total transfers (to) from other funds	(464,116)	432,716	(31,400)	(1,799)
Change in Net Assets	1,580,733	1,975,392	3,556,125	-
Net Assets - Beginning of year	39,975,690	18,771,664	58,747,354	-
Net Assets - End of year	<u>\$ 41,556,423</u>	<u>\$ 20,747,056</u>	<u>\$ 62,303,479</u>	<u>\$ -</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Major Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitary Sewer	Water Fund	Total	
	Fund			
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,728,835	\$ 3,416,464	\$ 6,145,299	\$ -
Payments to suppliers	(1,756,590)	(3,019,148)	(4,775,738)	(63,136)
Payments to employees	(718,852)	(595,242)	(1,314,094)	(77,821)
Internal activity - Payments to other funds	-	-	-	147,027
Internal activity - Receipts from other funds	250,000	-	250,000	-
Other receipts	154,316	180,480	334,796	524
Net cash provided by (used in) operating activities	657,709	(17,446)	640,263	6,594
Cash Flows from Noncapital and Related Financing Activities -				
Transfers to/from other funds	(64,116)	32,716	(31,400)	(1,799)
Cash Flows from Capital and Related Financing Activities				
Proceeds from property taxes	904,590	-	904,590	-
Purchase of capital assets	(258,456)	(470,906)	(729,362)	(4,795)
Connection fees	34,876	3,250	38,126	-
Principal and interest paid on capital debt	(1,078,710)	-	(1,078,710)	-
Net cash used in capital and related financing activities	(397,700)	(467,656)	(865,356)	(4,795)
Cash Flows from Investing Activities				
Interest received on investments	244,346	71,106	315,452	-
Purchase of investment securities	(92,568)	(759,656)	(852,224)	-
Net cash provided by (used in) investing activities	151,778	(688,550)	(536,772)	-
Net Increase (Decrease) in Cash and Cash Equivalents	347,671	(1,140,936)	(793,265)	-
Cash and Cash Equivalents - Beginning of year	3,521,874	2,634,265	6,156,139	-
Cash and Cash Equivalents - End of year	<u>\$ 3,869,545</u>	<u>\$ 1,493,329</u>	<u>\$ 5,362,874</u>	<u>\$ -</u>
Statement of Net Assets Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 3,388,454	\$ 989,734	\$ 4,378,188	\$ -
Restricted cash (Note 9)	481,091	503,595	984,686	-
Total cash and cash equivalents	<u>\$ 3,869,545</u>	<u>\$ 1,493,329</u>	<u>\$ 5,362,874</u>	<u>\$ -</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2007

	Major Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitary Sewer	Water Fund	Total	
	Fund			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (1,040,849)	\$ (813,165)	\$ (1,854,014)	\$ 1,799
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,591,620	663,937	2,255,557	1,725
Changes in assets and liabilities:				
Receivables	10,439	17,814	28,253	13,304
Inventories	-	(8,542)	(8,542)	(3,336)
Prepaid costs and other assets	30	10	40	7
Accounts payable	47,243	80,412	127,655	3,886
Accrued and other liabilities	(200,774)	42,088	(158,686)	1,358
Interfund activity	250,000	-	250,000	(12,149)
Net cash provided by (used in) operating activities	<u>\$ 657,709</u>	<u>\$ (17,446)</u>	<u>\$ 640,263</u>	<u>\$ 6,594</u>

Noncash Investing, Capital, and Financing Activities - During 2007, the County paid approximately \$400,000 in principal, interest, and fees on behalf of the Township related to County Sewage Disposal System Bonds. The taxes collected for this judgment levy totaled \$414,158. In addition, developers contributed sewer and water fixed assets totaling \$1,841,760 and \$2,281,485, respectively, during 2007.

Charter Township of Brownstown

Fiduciary Funds Statement of Assets and Liabilities December 31, 2007

	<u>Agency Funds</u>
Assets - Cash and investments	<u>\$ 1,221,457</u>
Liabilities	
Due to other funds	\$ 18
Due to other governmental units	1,215,799
Due to component unit	3,974
Accrued and other liabilities	<u>1,666</u>
 Total liabilities	 <u>\$ 1,221,457</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Brownstown (the "Township") 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 Charter Township of Brownstown:

Reporting Entity

The Charter Township of Brownstown is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are separate legal entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Blended Component Units

The Brownstown Building Authority is governed by a board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to construct assets for the Township.

Discretely Presented Component Units

The Downtown Development Authority (the DDA) was created to correct and prevent deterioration in the district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, which consists of nine individuals, is approved by the Township's board of trustees. In addition, the DDA's budget is subject to approval by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The financial information included in the separate column is condensed. Complete financial statements of the DDA can be obtained from the Township offices at 21313 Telegraph Road, Brownstown Township, Michigan.

The Brownfield Redevelopment Financing Authority (the "Authority") was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority had no financial activity during the year ended December 31, 2007.

Charter Township of Brownstown

**Notes to Financial Statements
December 31, 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

Jointly Governed Organization

Jointly governed organizations are discussed in Note 13.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Charter Township of Brownstown

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements, ambulance fees, and land contracts will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue.”

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township’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 Police Operation Fund and the Fire Protection Fund account for the activities of the police and fire departments requiring separate accounting because of special tax levies to fund operations.

The Township reports the following major Enterprise Funds:

The Water Fund and Sanitary Sewer Fund account for the results of operations for providing water and sewer service to the citizens and businesses of the Township. The funds’ primary revenues are generated through user charges from those requesting water and sewer services.

Additionally, the Township reports the following fund types:

The Internal Service Fund - Vehicle Maintenance Fund accounts for the maintenance of Township vehicles provided by one department or agency to other departments or agencies of the Township, or to other governments, mainly on a cost-reimbursement basis.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds account for assets held by the Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 Township 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 Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Fund and Sanitary Sewer Fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. 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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Township's policy to first apply restricted resources.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Township totaled \$1.02 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.8705 mills for operating purposes, 2.0000 mills for fire assessment, 5.7410 mills for police operations and assessment, 0.4772 mills for police capital improvement, .4229 mills for sewer debt service, 0.5000 mills for SHVUA debt service, 0.4772 mills for fire capital improvement, 0.4772 mills for road capital improvement, and 0.4000 mills for EPA debt. This resulted in \$649,000 for operating purposes, \$1.9 million for fire assessment, \$5.2 million for police operations and assessment, \$356,000 for police capital improvement, \$315,000 for sewer debt service, \$516,000 for SHVUA debt service, \$356,000 for fire capital improvement, \$356,000 for road capital improvement, and \$414,000 for EPA debt. These amounts, in addition to collection fees, interest, and penalties, are recognized in the respective General, Special Revenue, and Enterprise Funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes, and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$852,671 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include 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. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, furniture, equipment, and infrastructure assets (e.g., road usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and having a useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Road usage rights	20 years
Land improvements	15 to 20 years
Utility systems	40 to 45 years
Buildings and improvements	20 to 50 years
Vehicles	5 to 15 years
Office furnishings	10 to 20 years
Other tools, machinery, and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. There were no employee terminations at December 31, 2007.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2007			\$ (410,306)
Current year building permit revenue			696,673
Related expenses:			
Direct costs	\$ 854,293		
Estimated indirect costs	<u>90,360</u>	<u>944,653</u>	
Current year shortfall			<u>(247,980)</u>
Cumulative shortfall at December 31, 2007			<u>\$ (658,286)</u>

Fund Deficit - The Township has accumulated fund deficits in the CDBG Special Revenue Fund and the Housing Assistance Special Revenue Fund. The deficits are the result of federal reimbursements of eligible costs not being received within 60 days of year end. The Township expects to receive these funds in the upcoming fiscal year.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Brownstown

**Notes to Financial Statements
December 31, 2007**

Note 3 - Deposits and Investments (Continued)

The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 239 of 1998 has authorized investment in state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk requires all qualified institutions to provide audited financial statements, proof of certification and registration, and certification of having read the Township's investment policy. The Township is also to perform an annual review of financial condition and registration. At year end, the Township had \$17,195,016 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the Downtown Development Authority had \$4,422,144 of bank deposits that were uninsured and uncollateralized.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the Township had no investment securities which would be susceptible to interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy further limits its investment choices as noted above. As of year end, the Township had no investment securities which would be susceptible to credit risk.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds, the nonmajor and Internal Service Funds in the aggregate, and the component unit are as follows:

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental and Internal Service Funds	Sanitary Sewer Fund	Water Fund	Total	Component Unit - Downtown Development Authority
Receivables:								
Taxes	\$ 903,965	\$ 2,946,722	\$ 1,181,866	\$ 531,736	\$ 614,458	\$ -	\$ 6,178,747	\$ 2,495,686
Accounts	-	-	105,369	-	459,166	520,918	1,085,453	-
Intergovernmental	780,049	1,443	-	174,607	-	-	956,099	-
Interest and other	100,267	22,741	-	623,408	26,506	41,511	814,433	1,374
Net receivables	\$ 1,784,281	\$ 2,970,906	\$ 1,287,235	\$ 1,329,751	\$ 1,100,130	\$ 562,429	\$ 9,034,732	\$ 2,497,060

The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. In addition, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reflected in governmental funds are as follows:

	Unavailable	Unearned
Land contracts	\$ 66,000	\$ -
Property taxes for subsequent year	-	10,683,357
Delinquent property taxes	12,193	-
Grant reimbursement	82,730	-
Outstanding liens	-	323,955
Ambulance fees - Net of allowance	104,967	-
Total	\$ 265,890	\$ 11,007,312

Deferred revenue in business-type activities consists of unearned property taxes for the subsequent year. Deferred revenue of the component units consists of \$4,514,624 of unearned property taxes for the subsequent year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities				
Capital assets not being depreciated - Land	\$ 4,235,769	\$ -	\$ 25,952	\$ 4,209,817
Capital assets being depreciated:				
Road usage rights	8,616,758	251,552	-	8,868,310
Land improvements	934,984	645,438	-	1,580,422
Buildings and improvements	12,398,866	416,932	-	12,815,798
Vehicles	3,947,857	250,774	-	4,198,631
Office furnishings	649,731	-	-	649,731
Other tools, machinery, and equipment	2,716,556	75,010	-	2,791,566
Subtotal	29,264,752	1,639,706	-	30,904,458
Accumulated depreciation:				
Road usage rights	2,450,344	426,605	-	2,876,949
Land improvements	405,358	46,987	-	452,345
Buildings and improvements	3,252,095	247,162	-	3,499,257
Vehicles	1,600,304	385,773	-	1,986,077
Office furnishings	331,545	38,589	-	370,134
Other tools, machinery, and equipment	1,657,724	223,703	4,000	1,877,427
Subtotal	9,697,370	1,368,819	4,000	11,062,189
Net capital assets being depreciated	19,567,382	270,887	(4,000)	19,842,269
Net capital assets	<u>\$ 23,803,151</u>	<u>\$ 270,887</u>	<u>\$ 21,952</u>	<u>\$ 24,052,086</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 203,749	\$ -	\$ -	\$ 203,749
Construction in progress	<u>249,752</u>	<u>659,222</u>	<u>-</u>	<u>908,974</u>
Subtotal	453,501	659,222	-	1,112,723
Capital assets being depreciated:				
Utility systems	78,024,446	4,596,495	1,381	82,619,560
Buildings and improvements	10,472,085	250,000	-	10,722,085
Vehicles	821,384	-	-	821,384
Other tools, machinery, and equipment	<u>986,093</u>	<u>6,112</u>	<u>-</u>	<u>992,205</u>
Subtotal	90,304,008	4,852,607	1,381	95,155,234
Accumulated depreciation:				
Utility systems	25,992,882	1,853,356	-	27,846,238
Buildings and improvements	1,596,637	243,206	1,381	1,838,462
Vehicles	595,627	84,126	-	679,753
Other tools, machinery, and equipment	<u>656,832</u>	<u>74,869</u>	<u>-</u>	<u>731,701</u>
Subtotal	<u>28,841,978</u>	<u>2,255,557</u>	<u>1,381</u>	<u>31,096,154</u>
Net capital assets being depreciated	<u>61,462,030</u>	<u>2,597,050</u>	<u>-</u>	<u>64,059,080</u>
Net capital assets	<u>\$ 61,915,531</u>	<u>\$ 3,256,272</u>	<u>\$ -</u>	<u>\$ 65,171,803</u>

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

Governmental activities:

General government	\$ 554,805
Public safety	699,724
Public works	10,938
Community and economic development	17,474
Recreation and culture	84,153
Internal Service Fund depreciation is charged to various functions based on their usage of the asset	<u>1,725</u>
Total governmental activities	<u>\$ 1,368,819</u>

Business-type activities:

Water	\$ 663,937
Sewer	<u>1,591,620</u>
Total business-type activities	<u>\$ 2,255,557</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

At December 31, 2007, the following interfund balances existed:

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Fund	\$ 36,435
	Nonmajor governmental funds	<u>161,034</u>
	Total General Fund	197,469
Fire Protection Fund	General Fund	58,969
Water Fund	Sanitary Sewer Fund	<u>400,000</u>
	Total	<u>\$ 656,438</u>

These balances result from the time lag between the dates that goods or services were provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of interfund transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Fire Protection Fund (2)	1,078,574
	Nonmajor governmental funds (4)	<u>73,844</u>
	Total General Fund	1,152,418
Police Operation Fund	General Fund (6)	753,472
	Nonmajor governmental funds (4)	<u>124,571</u>
	Total Police Operation Fund	878,043
Fire Protection Fund	Nonmajor governmental funds (4)	95,360
Sanitary Sewer Fund	Water Fund (3)	447,957
	Nonmajor governmental funds (4)	<u>16,159</u>
	Total Sanitary Sewer Fund	464,116
Water Fund	Nonmajor governmental funds	15,241
Nonmajor governmental funds	Police Operation Fund (1)	250,000
	Fire Protection Fund (2)	150,000
	Nonmajor governmental funds (5)	<u>258,793</u>
	Total nonmajor governmental funds	658,793
Internal Service Fund	Nonmajor governmental funds (4)	<u>1,799</u>
	Total	<u>\$ 3,265,770</u>

(1) Transfer for police operation expenditures

(2) Transfer for fire protection expenditures

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

- (3) Transfer for funding of half the cost of water meters purchased
- (4) Transfer for retiree health care benefits
- (5) Transfer for debt payments
- (6) Transfer for prior year police operation subsidies

Additionally, the Downtown Development Authority (DDA) is paying certain dollars to the Township for police and fire services based on the area covered by the DDA. The total amount spent by the DDA related to these services during 2007 was \$665,000.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Police Facility Bonds - 1997		\$ -	\$ 175,000	\$ -	\$ (175,000)	\$ -	\$ -
Amount of issue - \$6,765,000							
Maturing through 2022							
Police Facility Refunding Bonds - 2006	4.000%	\$220,000 - \$450,000	5,610,000	-	-	5,610,000	220,000
Amount of issue - \$5,610,000							
Maturing through 2022							
Township Hall Renovation Bonds:	3.750% - 4.625%	\$70,000 - \$115,000	975,000	-	(65,000)	910,000	70,000
Amount of issue - \$1,200,000							
Maturing through 2017							
Capital Improvement Road Bonds - 2003	2.000% - 3.450%	\$100,000 - \$120,000	755,000	-	(95,000)	660,000	100,000
Amount of issue - \$995,000							
Maturing through 2013							
Contractual obligations:							
Fire truck - 2000:	5.020%	\$53,175 - \$71,809	485,342	-	(50,557)	434,785	53,175
Loan amount - \$750,000							
Maturing through 2014							
Land contract - 2003 (bus garage):		\$ -	112,500	-	(112,500)	-	-
Contract amount - \$700,000							
Payable through 2007							
Fire truck - 2003:	2.770%	\$62,303 - \$65,804	252,761	-	(60,624)	192,137	62,303
Lease/Purchase - \$425,000							
Payable through 2010							
Total governmental activities			\$ 8,365,603	\$ -	\$ (558,681)	\$ 7,806,922	\$ 505,478

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
Sewer:							
Wayne County Sewage Disposal System Refunding Bonds - 1994:	3.150% - 6.000%	\$175,000 - \$304,100	\$ 453,804	\$ -	\$ (278,804)	\$ 175,000	\$ 175,000
Amount of issue - \$3,825,500							
Maturing through 2008							
Less unamortized deferred amount on refunding			(20,976)	-	10,941	(10,035)	(10,035)
South Huron Valley Phase II Bonds - 1991:	2.000%	\$160,528 - \$169,671	817,879	-	(157,480)	660,399	160,528
Amount of issue - \$2,597,912							
Maturing through 2011							
SHVUA Plant Expansion Bonds - 1998:	2.250%	\$399,375 - \$521,334	6,332,472	-	(389,673)	5,942,799	399,375
Amount of issue - \$8,606,758							
Maturing through 2020							
Contractual obligations:							
DPW Building Installment Loan - 1998:	4.800%	\$42,920 - \$53,554	317,064	-	(42,144)	274,920	44,188
Amount of issue - \$600,000							
Maturing through 2013							
EPA Judgment - Brownstown's Share Downriver Sewage Disposal System Bonds:							
SRF #1 Project 5117-02 - \$114,300; 2014	2.000%	\$5,885 - \$6,505	49,251	-	(5,576)	43,675	5,885
SRF #2 Project 5117-03 - \$877,052; 2015	2.000%	\$45,964 - \$53,729	443,805	-	(45,033)	398,772	45,964
SRF #5 Project 5117-15 - \$2,698,311; 2018	2.000%	\$132,396 - \$165,631	1,762,007	-	(129,399)	1,632,608	132,396
SRF #6 Project 5117-18,19,21 - \$192,776; 2017	2.000%	\$9,417 - \$10,242	111,932	-	(9,187)	102,745	9,417
SRF #7 Project 5117-23 - \$731; 2017	2.250%	\$37 - \$45	441	-	(35)	406	37
SRF #9 Project 5117-24, 31 - \$291,996; 2020	2.250%	\$14,318 - \$16,756	195,432	-	(13,951)	181,481	14,318
SRF #10 Project 5117-25, 32 - \$691,456; 2020	2.250%	\$32,493 - \$40,541	473,597	-	(32,467)	441,130	32,493
SRF #11 Project 5117-20 - \$4,313; 2020	2.250%	\$201 - \$271	3,238	-	(195)	3,043	201
SRF #12 1999 A & B Refunding - \$887,593; 2018	4.400% - 5.13%	\$48,463 - \$59,146	649,544	-	(46,444)	603,100	48,463
SRF #13 Project 5117-01 - \$7,321; 2020	2.250%	\$325 - \$454	810	-	(324)	486	325
SRF #14 Project 5117-34 - \$315,567; 2021	2.500%	\$14,273 - \$19,859	250,494	-	(13,963)	236,531	14,273
SFR #15 Project - \$131,040; 2026	1.625%	\$5,740 - \$7,560	131,040	-	(6,000)	125,040	6,150
Series 2007B - \$520,912	4.250% - 5.750%	\$15,670 - \$39,918	-	520,912	-	520,912	15,670
Series 2007D - \$128,950	4.000% - 5.400%	\$3,900 - \$9,450	-	128,950	-	128,950	-
Subtotal - EPA			4,071,591	649,862	(302,574)	4,418,879	325,592
Less current amount payable from restricted assets			(621,215)	-	134,429	(486,786)	(486,786)
Total business-type activities			\$ 11,350,619	\$ 649,862	\$ (1,025,305)	\$ 10,975,176	\$ 607,862

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within
							One Year
Component Unit - Downtown Development							
Authority - Downtown Development Bonds:			Variable				
Amount of issue - \$15,000,000			\$710,000 -				
Maturing through 2022			\$1,245,000	\$ 15,000,000	\$ -	\$ (680,000)	\$ 14,320,000
							\$ 710,000

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 505,478	\$ 303,449	\$ 808,927	\$ 607,862	\$ 300,744	\$ 908,606	\$ 710,000	\$ 473,102	\$ 1,183,102
2009	544,937	283,794	828,731	955,567	268,060	1,223,627	740,000	448,258	1,188,258
2010	579,583	262,442	842,025	980,554	243,864	1,224,418	770,000	423,354	1,193,354
2011	536,798	239,452	776,250	1,005,613	218,613	1,224,226	800,000	397,180	1,197,180
2012	624,973	216,481	841,454	858,474	194,589	1,053,063	835,000	370,242	1,205,242
2013-2017	2,805,153	721,560	3,526,713	4,165,327	647,223	4,812,550	4,710,000	1,400,078	6,110,078
2018-2022	2,210,000	222,400	2,432,400	2,139,755	172,601	2,312,356	5,755,000	589,506	6,344,506
2023-2027	-	-	-	252,574	36,647	289,221	-	-	-
2028-2032	-	-	-	9,450	219	9,669	-	-	-
Total	\$ 7,806,922	\$ 2,249,578	\$ 10,056,500	\$ 10,975,176	\$ 2,082,560	\$ 13,057,736	\$ 14,320,000	\$ 4,101,720	\$ 18,421,720

Advance Refundings - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2007, \$5,845,000 of bonds outstanding are considered defeased.

Note 8 - Land Held for Resale

During the year ended December 31, 2004, the Downtown Development Authority issued \$15,000,000 in bonds to purchase \$14,265,000 of land which has been recorded at the lower of cost or market value. Management anticipates this land will be sold to developers in conjunction with the Town Center Project and, accordingly, it has been included as an asset in the Downtown Development Authority in the accompanying financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 9 - Restricted Assets

The balances of the restricted asset accounts reflected as business-type activities (Sanitary Sewer and Water Funds) are as follows:

Sanitary sewer restricted assets:

Cash and cash equivalents (to repay debt):	
To repay South Huron Valley Phase II bonds	\$ 322,887
To repay SHVUA Plant Expansion bonds	158,204
Customer receivables	9,965
Prepaid and accrued interest	5,388
Downriver sewage disposal system - Assets held at the County for future EPA debt payments	591,037
South Huron Valley Utility Authority - Start-up costs	<u>10,000</u>
Total sanitary sewer restricted assets	1,097,481

Water restricted assets - Restricted for water capital
improvements:

Cash and cash equivalents	503,595
Due from Sanitary Sewer Fund	<u>400,000</u>
Total water restricted assets	<u>903,595</u>
Total restricted assets	<u>\$ 2,001,076</u>

Current liabilities to be paid from restricted assets of the Sanitary Sewer and Water Funds consist of the following:

Bond principal payments:

South Huron Valley Phase II bonds	\$ 160,528
SHVUA Plant Expansion bonds	665
EPA Sewage Disposal System bonds	325,593
Accrued interest	<u>61,562</u>
Total current liabilities payable from restricted assets	<u>\$ 548,348</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Michigan Municipal Risk Management Authority (MMRMA) state risk pool program operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the MMRMA program, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 11 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees who are at least 18 years of age and the Township contributes on behalf of the Township board through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried employees are eligible to participate the first of the month 30 days after hire. Union employees are eligible to participate the first of the month 90 days after hire. As established by the Township board, the Township contributes 11 percent to 15 percent of employees' base earnings for AFSCME union employees. In addition, the Township contributed 14 percent to 15 percent of base earnings for MAP union employees, 15 percent for COAM and TEAMSTERS union employees, and 6 percent to 15 percent for IAFF fire department employees. AFSCME union employees, nonunion employees, and board members are required to contribute 5 percent of base earnings before taxes.

Also, 12 percent to 15 percent of base earnings are contributed for administrative nonunion personnel and board members. All participants may voluntarily contribute an additional amount, on an after-tax basis, not to exceed the Internal Revenue Service guidelines.

In accordance with these requirements, the Township contributed \$996,718 and employees contributed \$184,182.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2007

Note 12 - Other Postemployment Benefits

The Township provides health care and life insurance benefits to retirees in accordance with labor contracts. The Township pays the full cost of coverage for these benefits. Currently, 16 retirees are eligible. The Township includes both retirees and their spouses in its insured healthcare plan but only retirees in the life insurance plan. There is no contribution required by the participant. Certain retirees who are not eligible for full coverage are reimbursed for Medicare premiums. Expenditures for postemployment health care and life insurance benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$169,000. The Township obtains healthcare coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 13 - Joint Ventures

The Township is a member of the 33rd District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities.

During the current year, the Township contributed approximately \$803,000 for its operations. The Township received approximately \$831,000 in revenue from Court collections, net of the debt payments discussed below. Complete financial statements for the Court can be obtained from the administrative offices at 19000 Van Horn Road, Woodhaven, MI 48183. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future. The Township's total interest in this joint venture (including the Township's share of working capital) is \$1,201,065.

Charter Township of Brownstown

**Notes to Financial Statements
December 31, 2007**

Note 13 - Joint Ventures (Continued)

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$775,328 toward the operation of the system. In addition, debt payments of \$704,417, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Sewer Fund. The Township's interest in this joint venture is \$117,398, exclusive of capital assets and debt. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Sewer Fund. During the year, the Township paid \$533,575 for operations of the system and \$419,056 for debt service. The Township's interest in this joint venture is \$570,498, exclusive of capital assets and debt. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future other than the items noted in Note 12.

Required Supplemental Information

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 348,574	\$ 348,574	\$ 348,574	\$ -
Resources (Inflows)				
Property taxes	1,131,662	1,131,662	1,205,894	74,232
State sources	2,281,151	2,281,151	2,231,030	(50,121)
Fees and permits	1,392,327	1,392,327	1,274,503	(117,824)
Fines and forfeitures	900,200	900,200	830,582	(69,618)
Charges for services	662,950	662,950	616,587	(46,363)
Interest income	61,500	61,500	65,754	4,254
Special assessments	957,000	957,000	931,785	(25,215)
Other	142,300	217,300	199,649	(17,651)
Transfer from other funds	-	-	753,472	753,472
Total resources (inflows)	7,529,090	7,604,090	8,109,256	505,166
Charges to Appropriations (Outflows)				
General government:				
Legislative	84,040	88,040	84,998	3,042
District court	750,000	803,166	803,166	-
Executive	190,731	200,422	198,519	1,903
Elections	109,798	109,798	83,233	26,565
Accounting	182,265	182,265	172,731	9,534
Assessor	207,112	207,112	190,076	17,036
Legal	61,500	61,500	63,407	(1,907)
Clerk	219,551	196,231	191,616	4,615
Treasurer	228,211	231,260	225,720	5,540
Tax collection	97,931	97,931	82,105	15,826
Board of Review	4,703	4,703	3,578	1,125
Personnel	148,338	128,432	113,577	14,855
Nondepartmental	138,950	127,270	102,217	25,053
Public safety - Animal control	175,922	154,572	140,220	14,352
Community and economic development:				
Building and grounds	92,400	117,400	105,035	12,365
Public works	468,100	468,100	455,573	12,527
Community development	1,006,858	981,858	854,294	127,564
Planning	62,600	62,600	60,527	2,073
Zoning Board	16,778	91,778	30,277	61,501
Architectural Review Board	5,061	5,061	3,519	1,542
Environmental Review Board	5,000	5,000	1,146	3,854
Sanitation	999,500	999,500	956,781	42,719
Economic opportunity	72,353	62,353	53,447	8,906
Recreation and culture:				
Recreation	572,132	572,132	565,105	7,027
Parks	210,266	210,266	206,268	3,998
Library	90,000	125,350	127,647	(2,297)
Beautification commission	5,546	5,746	5,635	111
Historical commission	1,388	6,788	6,678	110
Community center	260,546	260,546	249,210	11,336
Employee benefits and insurance	59,100	34,500	33,348	1,152
Transfer to other funds	1,133,376	1,133,376	1,152,418	(19,042)
Total charges to appropriations (outflows)	7,660,056	7,735,056	7,322,071	412,985
Fund Balance - End of year	\$ 217,608	\$ 217,608	\$ 1,135,759	\$ 918,151

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Operation Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	5,135,395	5,135,395	5,159,322	23,927
State-shared revenues and grants	8,000	8,000	9,186	1,186
Interest income	65,000	65,000	63,692	(1,308)
Other	529,500	529,500	512,984	(16,516)
Transfer from other funds	250,000	250,000	250,000	-
Total resources (inflows)	<u>5,987,895</u>	<u>5,987,895</u>	<u>5,995,184</u>	<u>7,289</u>
Charges to Appropriations (Outflows)				
Public safety - Police	5,814,912	5,814,912	5,117,141	697,771
Transfers to other funds	125,000	125,000	878,043	(753,043)
Total charges to appropriations (outflows)	<u>5,939,912</u>	<u>5,939,912</u>	<u>5,995,184</u>	<u>(55,272)</u>
Fund Balance - End of year	<u>\$ 47,983</u>	<u>\$ 47,983</u>	<u>\$ -</u>	<u>\$ (47,983)</u>

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Protection Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	1,924,535	1,924,535	1,931,363	6,828
Federal sources	-	-	628	628
Interest income	6,000	6,000	9,269	3,269
Other	1,080,000	1,080,000	888,772	(191,228)
Transfer from other funds	<u>1,198,376</u>	<u>1,198,376</u>	<u>1,228,574</u>	<u>30,198</u>
Total resources (inflows)	4,208,911	4,208,911	4,058,606	(150,305)
Charges to Appropriations (Outflows)				
Public safety - Fire	4,113,911	4,113,911	3,963,246	150,665
Transfers to other funds	<u>95,000</u>	<u>95,000</u>	<u>95,360</u>	<u>(360)</u>
Total charges to appropriations (outflows)	<u>4,208,911</u>	<u>4,208,911</u>	<u>4,058,606</u>	<u>150,305</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Note to Required Supplemental Information Year Ended December 31, 2007

Note - Budgetary Information

Budgetary Information - The Township is legally subject to the budgetary control requirements of Charter Township Act (Act 359 of 1947).

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Township supervisor, on or before 120 days prior to the commencement of the fiscal and budgetary year (January 1), shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least one week in advance thereof by the clerk.
3. The board shall, prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as other financing sources (uses).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

Charter Township of Brownstown

Note to Required Supplemental Information Year Ended December 31, 2007

Note - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, there were significant expenditures in excess of the amounts budgeted in the following accounts:

	Amended Budget	Actual	Variance
General Fund - Transfers to other funds	\$ 1,133,376	\$ 1,152,418	\$ (19,042)
Police Operation Fund - Transfers to other funds	125,000	878,043	(753,043)

Other Supplemental Information

Charter Township of Brownstown

	Special Revenue				
	CDBG	Capital Improvement	Police Improvement	Fire Improvement	Road Improvement
Assets					
Cash and investments	\$ -	\$ 187,523	\$ 659,621	\$ 478,143	\$ 333,107
Receivables - Net	157,182	66,000	157,391	205,499	362,984
Total assets	<u>\$ 157,182</u>	<u>\$ 253,523</u>	<u>\$ 817,012</u>	<u>\$ 683,642</u>	<u>\$ 696,091</u>
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 4,299	\$ 5,135	\$ -	\$ 5,017	\$ 136,455
Due to other funds	152,883	-	-	-	-
Escrow funds	-	982	-	-	133,508
Deferred revenue	76,017	66,000	384,406	384,406	404,211
Total liabilities	233,199	72,117	384,406	389,423	674,174
Fund Balances (Deficit)					
Designated for subsequent year's budget	-	65,000	145,008	231,915	-
Undesignated (deficit)	(76,017)	116,406	287,598	62,304	21,917
Total fund balances (deficit)	(76,017)	181,406	432,606	294,219	21,917
Total liabilities and fund balances (deficit)	<u>\$ 157,182</u>	<u>\$ 253,523</u>	<u>\$ 817,012</u>	<u>\$ 683,642</u>	<u>\$ 696,091</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Funds			Debt Service Funds		Total Nonmajor Governmental Funds
Drug Forfeiture	Housing Assistance	Retiree Insurance	Debt Service	Building Authority	
\$ 208,140	\$ -	\$ 1,654,461	\$ 250	\$ -	\$ 3,521,245
17,131	341,380	6,433	-	-	1,314,000
<u>\$ 225,271</u>	<u>\$ 341,380</u>	<u>\$ 1,660,894</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 4,835,245</u>
\$ 366	\$ 9,280	\$ -	\$ 250	\$ -	\$ 160,802
-	8,151	-	-	-	161,034
-	-	-	-	-	134,490
-	330,668	-	-	-	1,645,708
366	348,099	-	250	-	2,102,034
80,000	-	-	-	-	521,923
144,905	(6,719)	1,660,894	-	-	2,211,288
224,905	(6,719)	1,660,894	-	-	2,733,211
<u>\$ 225,271</u>	<u>\$ 341,380</u>	<u>\$ 1,660,894</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 4,835,245</u>

Charter Township of Brownstown

	Special Revenue				
	CDBG	Capital Improvement	Police Improvement	Fire Improvement	Road Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ 355,362	\$ 355,362	\$ 355,362
Federal sources	93,482	-	-	-	236,000
State sources	-	-	-	-	-
Interest income	-	9,018	13,197	13,674	10,277
Debt charges	-	-	-	-	-
Other	-	7,117	-	48,108	57,982
Total revenue	93,482	16,135	368,559	417,144	659,621
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community maintenance and development	162,933	2,863	-	-	-
Employee benefits and insurance	-	-	-	-	-
Capital outlay	-	12,097	105,795	96,407	589,817
Debt service	-	-	-	-	-
Total expenditures	162,933	14,960	105,795	96,407	589,817
Excess of Revenue Over (Under) Expenditures	(69,451)	1,175	262,764	320,737	69,804
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(100,000)	(291,415)	(117,378)
Total other financing sources (uses)	-	-	(100,000)	(291,415)	(117,378)
Net Change in Fund Balances	(69,451)	1,175	162,764	29,322	(47,574)
Fund Balances (Deficit) - Beginning of year	(6,566)	180,231	269,842	264,897	69,491
Fund Balances (Deficit) - End of year	\$ (76,017)	\$ 181,406	\$ 432,606	\$ 294,219	\$ 21,917

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended December 31, 2007

Funds			Debt Service Funds		Total Nonmajor
Drug Forfeiture	Housing Assistance	Retiree Insurance	Debt Service	Building Authority	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,066,086
153,350	85,532	-	-	-	568,364
105,035	-	-	-	-	105,035
7,136	-	61,164	-	-	114,466
-	-	-	112,500	475,035	587,535
-	-	13,387	-	-	126,594
265,521	85,532	74,551	112,500	475,035	2,568,080
48,284	-	-	-	-	48,284
-	92,251	-	-	-	258,047
-	-	168,910	-	-	168,910
-	-	-	-	-	804,116
-	-	-	371,293	475,035	846,328
48,284	92,251	168,910	371,293	475,035	2,125,685
217,237	(6,719)	(94,359)	(258,793)	-	442,395
-	-	326,974	258,793	-	585,767
(150,000)	-	-	-	-	(658,793)
(150,000)	-	326,974	258,793	-	(73,026)
67,237	(6,719)	232,615	-	-	369,369
157,668	-	1,428,279	-	-	2,363,842
\$ 224,905	\$ (6,719)	\$ 1,660,894	\$ -	\$ -	\$ 2,733,211

Charter Township of Brownstown

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2007

	Agency Funds		
	School and County	Tax Collection	Total
Assets - Cash and investments	<u>\$ 7,144</u>	<u>\$ 1,214,313</u>	<u>\$ 1,221,457</u>
Liabilities			
Due to other funds	\$ 18	\$ -	\$ 18
Due to other governmental units	7,126	1,208,673	1,215,799
Due to component unit	-	3,974	3,974
Accrued and other liabilities	<u>-</u>	<u>1,666</u>	<u>1,666</u>
Total liabilities	<u>\$ 7,144</u>	<u>\$ 1,214,313</u>	<u>\$ 1,221,457</u>

**Charter Township of Brownstown
Wayne County, Michigan**

**Federal Awards
Supplemental Information
December 31, 2007**

Charter Township of Brownstown

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Independent Auditor's Report

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Brownstown's basic financial statements, and have issued our report thereon dated June 5, 2008. Those basic financial statements are the responsibility of the management of the Charter Township of Brownstown. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 5, 2008

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

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Brownstown's basic financial statements, and have issued our report thereon dated June 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

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 entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiency described in the schedule of findings and questioned costs as item 2007-1 constitutes a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Brownstown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of the Charter Township of Brownstown in a separate letter dated June 5, 2008.

The Charter Township of Brownstown's response to the material weakness identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Plante & Moran, PLLC

June 5, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

Compliance

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

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

In our opinion, the Charter Township of Brownstown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-3.

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

Internal Control Over Compliance

The management of the Charter Township of Brownstown is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Brownstown's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-2 and 2007-3 to be material weaknesses.

The Charter Township of Brownstown's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Brownstown's response and, accordingly, we express no opinion on it.

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

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

Plante & Moran, PLLC

June 5, 2008

Charter Township of Brownstown

Schedule of Expenditures of Federal Awards Year Ended December 31, 2007

Federal Agency/Pass-through Agency/ Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Wayne County Community Development Block Grant Program:				
Program Year 2004-2005	14.218	various	\$ 173,000	\$ 108,627
Program Year 2005-2006	14.218	various	202,000	24,293
Program Year 2006-2007	14.218	various	183,000	<u>96,504</u>
Total Community Development Block Grant				229,424
U.S. Department of Justice - Federally Forfeited Property				
	16.unknown	n/a	n/a	93,342
U.S. Department of Transportation - Passed through Michigan Department of Transportation - Highway Planning and Construction - Woodruff Road Bike Path				
	20.205	STP 0382 (390)	236,000	<u>236,000</u>
Total federal expenditures				<u><u>\$ 558,766</u></u>

Charter Township of Brownstown

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 568,992
Less federal revenue received but not expended during 2007	(60,008)
Add deferred revenue at December 31, 2007	82,730
Less deferred revenue at December 31, 2006	(6,566)
Other differences	<u>(26,382)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 558,766</u>

Charter Township of Brownstown

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Brownstown (the "Township") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

The Township had the following loan balances outstanding at December 31, 2007. These loan balances are not included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 323,955

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 9,278

Charter Township of Brownstown

Schedule of Findings and Questioned Costs Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA	
Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? Yes No

Charter Township of Brownstown

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-1	<p>Journal Entries</p> <p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to adequately record all year-end closing entries prior to the start of the audit.</p> <p>Condition - In connection with the Charter Township of Brownstown's financial statement audit for the year ended December 31, 2007, the Township was required to post various entries in order for its financial statements to be in accordance with generally accepted accounting principles (GAAP).</p> <p>Context - Adjusting entries were required in order to prepare the Township's financial statements in accordance with GAAP. These entries related to the investment in the 33rd District Court, the investment in the South Huron Valley Utility Authority, developer contributions of water and sewer lines, and activity related to the equity interest in the Downriver Sewage Disposal System.</p> <p>Cause - These are entries that the Township would typically only post as of the end of the year and the Township has historically relied on the auditors to compute and post the entries.</p> <p>Effect - Various account balances were misstated in the preliminary accounting records. These amounts related to multiple funds and in aggregate were material to the financial statements.</p> <p>Recommendation - The Charter Township of Brownstown should attempt to post all material year-end closing entries prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Charter Township of Brownstown will continue to focus on attempting to record material closing entries prior to the start of future audits.</p>

Charter Township of Brownstown

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2007

Section III - Federal Program Audit Findings

Reference Number	Findings
2007-2	<p>Identification of Federal Expenditures</p> <p>Finding Type - Material weakness</p> <p>Criteria - A complete and accurate schedule of expenditures of federal awards (SEFA) is necessary to record all program expenditures as required by federal regulations.</p> <p>Condition - Management's goal is to prepare a complete and accurate SEFA to record all program expenditures in order to comply with the above criteria.</p> <p>Context - The Township was able to determine that an A-133 federal awards audit was required. However, the Township does not have a centralized system to identify and track all federal expenditures to produce a complete SEFA.</p> <p>Cause and Effect - The Township did not have appropriate procedures in place to identify and track federal expenditures throughout the year. As a result, the Township was unable to produce a complete and accurate SEFA.</p> <p>Recommendation - We recommend that the Township develop a procedure to identify and track federal expenditures throughout the year to ensure a complete and accurate SEFA is available for the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Township concurs with the recommendation and will develop a procedure to identify and track federal expenditures.</p>

Charter Township of Brownstown

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-3	<p>Davis-Bacon</p> <p>Program Name - CFDA #20.205, Highway Planning and Construction - Woodruff Bike Path</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The Davis-Bacon Act requires grantees to ensure that prevailing wage rates are being paid to contractors receiving federal funds greater than \$2,000.</p> <p>Condition - The Township failed to ensure that the contractor was monitoring and complying with Davis-Bacon requirements.</p> <p>Questioned Costs - None</p> <p>Context - The Township included the required prevailing wage rate language in the contract with the contractor and required that certified payrolls and payroll certifications be submitted to the engineer; however, the Township did not obtain copies of the certified payrolls or payroll certifications and did not ensure the engineer reviewed the documentation in a timely manner. Upon receiving the certification tested from the engineer, there was no evidence that the engineer had reviewed the certification. In addition, the certification tested was dated approximately six months after the date of the certified payroll.</p> <p>Cause and Effect - The Township did not have appropriate procedures in place to ensure the engineer collected and reviewed the required documentation for Davis-Bacon in a timely manner.</p> <p>Recommendation - We recommend that the Township develop a procedure to ensure that all aspects of the Davis-Bacon Act are complied with.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Township concurs with the recommendation and will develop a procedure to ensure that contractors are complying with the Davis-Bacon Act.</p>

Charter Township of Brownstown

Report to the Board of Trustees

December 31, 2007



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To the Board of Trustees
Charter Township of Brownstown

We have recently completed our audit of the basic financial statements of the Charter Township of Brownstown (the "Township") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

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We are grateful for the opportunity to be of service to the Charter Township of Brownstown. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 5, 2008



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Results of the Audit

June 5, 2008

To the Board of Commissioners
Charter Township of Brownstown

We have audited the financial statements of the Charter Township of Brownstown for the year ended December 31, 2007 and have issued our report thereon dated June 5, 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

As stated in our engagement letter dated December 19, 2007, our responsibility, as described by professional standards, is to express an opinion 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. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Brownstown. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Charter Township of Brownstown's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Township's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated June 5, 2008 regarding our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That letter is included in the single audit report.

To the Board of Commissioners
Charter Township of Brownstown

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the Charter Township of Brownstown, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note I 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 Township 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.

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. The following material misstatements detected as a result of audit procedures were corrected by management: the change in equity interest in the South Huron Valley Utility Authority and the 33rd District Court, restricted assets for the Downriver Sewage Disposal System, and capital contributions for developer donated water and sewer lines. Management has corrected all such misstatements.

To the Board of Commissioners
Charter Township of Brownstown

Disagreements with Management

For the purpose 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's Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2008.

Management's 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 organization'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

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Township's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

To the Board of Commissioners
Charter Township of Brownstown

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Beth Bialy". The letters are cursive and fluid.

Beth A. Bialy

A handwritten signature in black ink that reads "Brian J. Camiller". The signature is highly stylized and cursive.

Brian J. Camiller

Other Recommendations

Charter Township of Brownstown

Other Recommendations

Property Tax Distribution

The Township collects taxes on behalf of other taxing authorities. Although the tax collections are distributed on a regular basis and every taxing authority eventually receives its complete share, the regular distributions are not remitted ratably. The Township should consider using the existing BS&A software to calculate and distribute each unit of government's proportionate share of taxes as it is collected.

Supporting Documentation for Expenditures

During our expenditure testing, we noted some insignificant recreation related invoices that did not contain an adequate level of supporting documentation. These invoices were for reimbursement for supplies purchased for senior citizen events. All of the items appeared reasonable upon further inquiry; however, we recommend that management put a procedure in place to require receipts or other supporting documentation prior to issuing payment.

Fund Deficits

The CDBG fund and Housing Assistance fund had deficits of \$76,017 and \$6,719, respectively. In accordance with GASB 33, the Township is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. The deficits will be eliminated once the related grant reimbursements are received. The Township is required to file deficit elimination plans for both of these funds with the State.

Financial Condition

The Township's General Fund fund balance had declined significantly in recent years. However, in the current year, the Township was able to add almost \$800,000 to fund balance as shown below:

December 31, 2003	\$2,269,700
December 31, 2004	1,857,000
December 31, 2005	1,059,000
December 31, 2006	349,000
December 31, 2007	1,136,000

A general rule of thumb for adequate fund balance is to maintain a fund balance of at least 10 percent to 20 percent of one year's worth of expenditures. The current undesignated General Fund fund balance is \$964,540. This represents 6 percent of the annual expenditures of the General Fund, Police Operation Fund, and Fire Protection Fund. The Police and Fire Funds do not have any fund balance of their own.

The Township was able to add to fund balance this year due to a number of factors. The primary factor was that the Police Operations Fund expenditures were approximately \$700,000 under budget for the year and were able to use that surplus to repay a portion of the funds received as a subsidy from the General Fund in previous years.

We encourage the Township to strive to preserve existing fund balance and continue to explore ways to further add to fund balance to reach recommended levels.

Informational

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million). In addition, the Michigan single business tax has been eliminated effective December 31, 2007 and a new Michigan business tax has been implemented as a replacement. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expired in 2007** - Legislative action is required on this Act for appropriations to continue beyond 2008.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing in the future. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including more than \$550 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

Charter Township of Brownstown

Informational

The table below details state-shared revenue for the Township since 2002 broken out by statutory and constitutional portions.

State Fiscal Year	Statutory	Constitutional	Total
2002	\$ 1,283,280	\$ 1,507,003	\$ 2,790,283
2003	1,052,812	1,532,516	2,585,328
2004	807,701	1,515,870	2,323,571
2005	746,199	1,552,045	2,298,244
2006	694,204	1,578,468	2,272,672
2007	640,034	1,581,651	2,221,685
2008 estimate	652,313	1,534,695	2,187,008

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$640,000 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Taxes and Taxable Value Changes

Challenges with property values in the current Michigan economy have been very well publicized. A number of factors are impacting the market value of properties including foreclosures, properties on the market for extended periods of time, properties selling below market value, etc. Property tax assessments are being completed currently for the 2008 tax year and tax rolls will be finalized in May 2008. However, early indications are that declines in state equalized value may threaten the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. We caution the Township to keep this in mind as it reviews the expected financial results for 2008, its budget for 2009, and the next few years thereafter.

As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Township.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the six SET mills and the 18 school operating mills (for a total of 24 mill exemptions). Commercial personal property will be exempt from 12 of the 18 school operating mills.

Healthcare Liability

As mentioned last year, the Governmental Accounting Standards Board released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The promise to provide health care to retirees is very similar to a defined benefit pension promise to provide an annual pension check of a specified amount. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The statement requires the Township to have an actuarial valuation to define the liability and the liability will need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed

The new pronouncement is effective for the year ending December 31, 2008. While the Township has accumulated some monies to fund its obligation for retiree health care in the Retiree Insurance Special Revenue Fund, the Township, like most all other governmental units, is not actuarially funding this liability like a pension system. These new standards allow the Township to fund the determined actuarial accrued liability for benefits provided and earned to date over 30 years. The Township may choose not to, or may not be able to, make the total actuarially determined annual payment. If that is the case, the unfunded status will be disclosed in the notes to the financial statements. The Township's current practice of accumulating funds in a special revenue fund will not result in the Township being able to count these funds as an offset to the liability because the funds are not held in a trust. In addition, a trust would allow the Township to invest in accordance with Public Act 314 of 1965, which is meant to allow for a higher long-term rate of return.