Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Williamstown Township	Ingham

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
03/31/06	06/02/06	8/2/06

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☒	N/A

Certified Public Accountant (Firm Name)	Telephone Number
ABRAHAM & GAFFNEY, P.C.	517.351.6836

Street Address	City	State	Zip
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Authorizing CPA Signature	Printed Name	License Number
Aaron M. Stevens	AARON M. STEVENS, CPA	110102055

Township of Williamstown
Ingham County, Michigan

FINANCIAL STATEMENTS

March 31, 2006

Township of Williamstown

Ingham County, Michigan

March 31, 2006

BOARD OF TRUSTEES

Mickey Martin	Supervisor
Cindy Davis	Clerk
Al LeBlanc	Treasurer
Martin Wright	Trustee
Frans Wilbrink	Trustee

Township of Williamstown

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Williamstown
Williamston, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Williamstown, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Williamstown, Michigan as of March 31, 2006, and the respective changes in financial position 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 budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Williamstown's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 2, 2006

New Financial Reporting

In 2005, the Township of Williamstown, Michigan (the "Township") revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. 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 March 31, 2006:

- State shared revenue, our largest revenue source in the General Fund, was increased by the State of Michigan by approximately $7,582 this year.
- Public works expenditures decreased $115,062 from the prior year. The decrease is the result of no repaving and no large drain projects within the Township in the current year.
- Total fund balances related to the Township's governmental funds increased by $79,739.

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 of Williamstown 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.

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 operations of the Township of Williamstown 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 of Williamstown acts solely as a trustee or agent for the benefit of those outside the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005 and March 31, 2006.

	2005	2006
Assets		
Current assets	$ 1,404,755	$ 1,418,013
Capital assets, net	966,149	970,142
Total assets	2,370,904	2,388,155

The Township as a Whole - continued

	2005	2006
Liabilities		
Current liabilities	$ 130,744	$ 53,900
Noncurrent liabilities	4,072	-
Total liabilities	134,816	53,900
Net Assets		
Invested in capital assets, Net of related debt	948,810	967,238
Unrestricted	1,287,278	1,367,017
Total net assets	$ 2,236,088	$ 2,334,255

The Township's total net assets were $2,334,255 at March 31, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were $1,367,017 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at $967,238.

The following table shows the changes in net assets during the current year.

	2005	2006
Revenue		
Program revenue:		
Charges for services	$ 141,080	$ 113,172
Operating grants and contributions	16,086	16,592
Capital grants and contributions	183	-
General revenue:		
Property taxes	178,775	179,431
State shared revenue	318,898	326,480
Investment earnings	16,634	39,924
Other revenue	16,720	9,968
Total revenue	688,376	685,567
Program Expenses		
General government	382,606	399,092
Public safety	30,113	30,489
Public works	130,648	15,586
Community and economic development	40,158	60,809
Recreation and cultural	33,110	37,169
Other	16,313	29,750
Total program expenses	632,948	572,895
Change in Net Assets	$ 55,428	$ 112,672

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

Governmental Activities

The Township's governmental revenues totaled $685,567 with the greatest revenue source being state shared revenue. State shared revenue makes up approximately 47.6 percent of total governmental revenue and property taxes make up approximately 26 percent of total governmental revenue.

The Township incurred expenses of $572,895 during the year. General government makes up 69.7 percent of total governmental expenditures. General government includes Township Board, Supervisor, Clerk, Treasurer, and various other functions.

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Williamstown as a whole. The Township of Williamstown's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2006 include the General Fund and the Cemetery Special Revenue Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the additional expenditures in the Township board, Clerk, Board of Review, elections, and cable commission activities.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had $967,238 invested in a broad range of capital assets, net of related debt, including buildings, land and equipment. During the current year the Township paid $14,435 in debt principal on an interest free capital lease. The Township has $2,904 in debt outstanding as of March 31, 2006.

Current Economic Factors

Revenue sharing is expected to remain constant with no reductions at this time. Road Right of Way fees and Franchise fees may be in question as to amount in the next year. Federal regulations for cable franchise fees will impact Townships but to what extent we do not know at this time.

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 demonstrate 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 Township Clerk or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Williamstown

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 879,077
Investments	500,641
Receivables	38,295
Total current assets	1,418,013
Noncurrent assets	
Capital assets not being depreciated	403,116
Capital assets, net of accumulated depreciation	567,026
Total noncurrent assets	970,142
TOTAL ASSETS	2,388,155
LIABILITIES	
Current liabilities	
Accounts payable	24,217
Salaries and withholding payable	17,072
Other accrued liabilities	9,707
Current portion of long-term debt	2,904
TOTAL LIABILITIES	53,900
NET ASSETS	
Invested in capital assets, net of related debt	967,238
Unrestricted	1,367,017
TOTAL NET ASSETS	$ 2,334,255

See accompanying notes to financial statements.

Township of Williamstown

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities				
General government	$ 399,092	$ 61,482	$ 12,020	$ (325,590)
Public safety	30,489	-	-	(30,489)
Public works	15,586	4,935	4,572	(6,079)
Community and economic development	60,809	46,755	-	(14,054)
Recreation and cultural	37,169	-	-	(37,169)
Other	29,750	-	-	(29,750)
Total	$ 572,895	$ 113,172	$ 16,592	(443,131)
General revenues				
Property taxes				179,431
State shared revenue				326,480
Investment earnings				39,924
Miscellaneous				9,968
Total general revenues				555,803
Change in net assets				112,672
Net assets, beginning of the year				2,236,088
Prior period adjustments				(14,505)
Net assets, end of the year				$ 2,334,255

See accompanying notes to financial statements.

Township of Williamstown

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Cemetery	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 845,469	$ 33,608	$ 879,077
Investments	415,817	84,824	500,641
Receivables			
Accounts	-	2,961	2,961
Taxes	9,800	-	9,800
Tap-in fees	25,534	-	25,534
TOTAL ASSETS	$ 1,296,620	$ 121,393	$ 1,418,013
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 17,672	$ 6,545	$ 24,217
Salaries and withholding payable	13,945	3,127	17,072
Other accrued liabilities	9,707	-	9,707
Deferred revenue	25,534	-	25,534
TOTAL LIABILITIES	66,858	9,672	76,530
FUND BALANCES			
Unreserved			
Designated for subsequent year's expenditures	15,810	8,060	23,870
Designated for pool commitment	10,000	-	10,000
Undesignated, reported in			
General fund	1,203,952	-	1,203,952
Special revenue funds	-	103,661	103,661
TOTAL FUND BALANCES	1,229,762	111,721	1,341,483
TOTAL LIABILITIES AND FUND BALANCES	$ 1,296,620	$ 121,393	$ 1,418,013

See accompanying notes to financial statements.

Township of Williamstown

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balances - governmental funds		$ 1,341,483
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
The cost of capital assets is	$ 1,042,805	
Accumulated depreciation is	(72,663)	
Capital assets, net		970,142
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		
Deferred revenue		25,534
Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Capital leases		(2,904)
Net assets of governmental activities		$ 2,334,255

See accompanying notes to financial statements.

Township of Williamstown

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended March 31, 2006

	General	Cemetery	Total Governmental Funds
REVENUES			
Taxes	$ 193,687	$ -	$ 193,687
Licenses and permits	51,010	-	51,010
Intergovernmental	331,052	12,020	343,072
Charges for services	14,335	19,741	34,076
Interest and rents	41,795	3,677	45,472
Other	8,277	9,973	18,250
TOTAL REVENUES	640,156	45,411	685,567
EXPENDITURES			
Current			
General government	336,443	66,802	403,245
Public safety	30,329	-	30,329
Public works	15,586	-	15,586
Community and economic development	60,809	-	60,809
Recreation and cultural	37,169	-	37,169
Debt service	14,435	-	14,435
Other	29,750	-	29,750
TOTAL EXPENDITURES	524,521	66,802	591,323
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	115,635	(21,391)	94,244
OTHER FINANCING SOURCES (USES)			
Transfer in	-	24,000	24,000
Transfer out	(24,000)	-	(24,000)
TOTAL OTHER FINANCING SOURCES (USES)	(24,000)	24,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	91,635	2,609	94,244
Fund balances, beginning of year	1,152,632	109,112	1,261,744
Prior period adjustments	(14,505)	-	(14,505)
Fund balances, end of year	$ 1,229,762	$ 111,721	$ 1,341,483

See accompanying notes to financial statements.

Township of Williamstown

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balances - total governmental funds		$ 94,244
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 36,751	
Depreciation expense	(29,383)	
Excess of capital outlay over depreciation expense		7,368
Loss on disposal of capital assets		(3,375)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Capital lease retirement		14,435
Change in net assets of governmental activities		$ 112,672

See accompanying notes to financial statements.

Township of Williamstown

Fiduciary Fund

STATEMENT OF NET ASSETS

3/31/2006

	Agency Fund
ASSETS	
Cash	$ 78,173
LIABILITIES	
Uncategorized - due to others	$ 78,173

See accompanying notes to financial statements.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Williamstown Township, Michigan was organized as a Township in 1937 under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board that consists of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to its residents in many areas including sewer, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No.5*, these financial statements present all financial activities of the Township of Williamstown. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Williamstown contain all the funds controlled by the Township Board.

2. Jointly Governed Organizations

The Township participates in the following activity, which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Northeast Ingham Emergency Service Authority (NIESA) - The Township of Williamstown, in conjunction with the City of Williamston, Locke Township, Wheatfield Township, Leroy Township, and the Village of Webberville, entered into an agreement effective January 1, 1999 to create the NIESA to provide fire and emergency services to the constituent municipalities. The Williamston Community Fire and Ambulance Board ceased operations on December 31, 1998.

The Township has one (1) representative on the seven (7) member board. The Township and each constituent municipality levy one (1) mill of tax to support the operations of NIESA. The Township has no other financial responsibility.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The major funds of the Township are:

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

b. The Cemetery Fund is used to account for the proceeds of specific revenue sources that are legally restricted to cemetery expenditures.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General Fund and Special Revenue budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the required supplementary information:

a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities within a fund or any revisions that alter the total expenditures of a fund or activity must be approved by the Township Board.

b. Formal budgetary integration is employed as a management control device during the year for the General Fund.

c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.

d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations that are adopted.

7. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market mutual fund accounts. Cash in excess of current requirements is invested in certificates of deposit and disclosed as part of the Township's investments. The certificates of deposit are classified as investments due to having an original maturity of over 90 days.

8. Property Tax

The Township of Williamstown bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Property Tax - continued

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to $1 per $1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2006, the Township levied .8467 mills for general governmental services. The total taxable value for the 2005 levy for property within the Township was $211,901,629.

9. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	5 - 15 years
Vehicles	5 - 10 years

10. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

11. Comparative Data

Comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.156 of the Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or federal agency obligations repurchase agreements.

5. Bankers' acceptances of United States banks.

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2006, the carrying amounts and the bank balances for each type of bank account are as follows:

Account Type	Carrying Amount	Bank Balance
Regular checking	$ 493,865	$ 571,775
Savings and certificates of deposit	599,288	599,288
	$ 1,093,153	$ 1,171,063

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2006, the Township accounts were insured by the FDIC for $721,308 and the amount of $449,755 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments

As of March 31, 2006, the carrying amounts for the investments are as follows:

Investment Type	Carrying Amount	Weighted Average Maturity	Rating
Insured or registered for which the securities are held by the Township Board's agent in the Township Board's name			
Money Market Funds	$ 364,542	34 days	AAA

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of Credit Risk

The Township has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

The amounts referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2006:

	Primary Government	Fiduciary Fund	Reporting Entity
Cash and cash equivalents	$ 879,077	$ 78,173	$ 957,250
Investments	500,641	-	500,641
	$ 1,379,718	$ 78,173	$ 1,457,891

The cash and cash equivalents captions on the combined balance sheet and statement of net assets include $196 in petty cash.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to Cemetery Fund from:	
General Fund	$ 24,000

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006, was as follows:

Governmental activities

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	$ 403,116	$ -	$ -	$ 403,116
Capital assets being depreciated:				
Buildings and improvements	513,600	-	-	513,600
Vehicles	39,420	28,887	4,500	63,807
Equipment	54,418	7,864	-	62,282
Total capital assets being depreciated	607,438	36,751	4,500	639,689
Less accumulated depreciation for:				
Buildings and improvements	(18,160)	(12,840)	-	(31,000)
Vehicles	(11,517)	(6,017)	1,125	(16,409)
Equipment	(14,728)	(10,526)	-	(25,254)
Total accumulated depreciation	(44,405)	(29,383)	1,125	(72,663)
Net capital assets being depreciated	563,033	7,368	3,375	567,026
Net capital assets - governmental activities	$ 966,149	$ 7,368	$ 3,375	$ 970,142

Depreciation expense was charged to the following governmental activities:

General government	$ 29,223
Public safety	160
Total depreciation expense	$ 29,383

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2006:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Capital lease	$ 17,339	$ -0-	$ 14,435	$ 2,904	$ 2,904

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Capital Lease

The Township has entered into a lease purchase agreement, under act 99 PA of 1933, as amended, to finance the acquisition of office equipment. The liability for the office equipment is recorded in the government-wide financial statements. The cost of the office equipment acquired under the lease purchase agreement amounted to $39,801. The portion of the office equipment acquired that met the capitalization threshold of the Township, and the related depreciation, has been reported in the equipment caption of Note D. This capital lease has been recorded at the present value of the future minimum lease payments as of the date of its inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rest with the Township.

Future minimum lease obligations and the net present value of these minimum lease payments as of March 31, 2006, were as follows:

Year Ending March 31,	Office Equipment
2007	$ 2,904

NOTE F: RISK MANAGEMENT

The Township is exposed to various risks of loss including general liability, public official liability, property, auto, and workers' compensation for which the Township carries commercial insurance.

NOTE G: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan sponsored by ING Financial Services, which was created in accordance with IRS Section #457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. In addition, the Township will make contributions of 3.75% of current salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended March 31, 2006, the Township contributed $2,717 to the plan and employees contributed $7,162.

NOTE H: INTERGOVERNMENTAL AGREEMENTS

Pursuant to the provisions of Act 35 of Public Acts of 1951, the Township of Williamstown and the City of Williamston entered into a joint intergovernmental agreement on August 27, 1979. The purpose was to provide for the collection and disposal of wastewater originating in the Township.

The Township paid for the construction of the sewers and had owned them until June 2000. The City agreed to treat 71,400 gallons of sanitary sewage daily and was able to bill and collect for the services it provided. Any routine maintenance was the responsibility of the City. However, the Township agreed to share in any reconstruction or major repairs to the system.

The cost of the original construction in the Township was approximately $835,000. After Federal and State contributions, the Township borrowed $300,000 and established a special assessment district to finance the payback. The liability has since been paid in full.

NOTE H: INTERGOVERNMENTAL AGREEMENTS - CONTINUED

On August 11, 1987, the Township and the City added an addendum to the original agreement outlining compensation due to the City for major improvements made to the system. The Township agreed to pay 11% of the principal and interest on the $2,600,000 1987 General Obligation Bonds issued by the City to finance the venture. The Township received credit for the debt service portion of sewer revenues the City received from the Township residents. The net payment was then financed by the General Fund.

On April 22, 1999, the Township and the City executed a settlement agreement effective April 22, 1999, which amended certain provisions of the agreement dated August 27, 1979, and amended on August 11, 1987. The settlement agreement released and discharged the Township from further debt service obligations related to the original agreement.

Pursuant to the provisions of Act 425 of Public Acts of 1984, the Township of Williamstown and the City of Williamston entered into an agreement in June 2000 to conditionally transfer property from the Township to the City in order to provide improvements including water and sanitary sewer, leaf pickup, street maintenance and repair, and storm water drainage to the transferred area. All taxes within the transferred area are to be levied and collected by the Township at normal Township millage rates. In return for the services provided to the transferred area, the Township shall pay to the City $1,879 annually, adjusted annually by the rate of inflation set by the Consumer Price Index, not to exceed five percent in any one year and the City shall pay the Township a portion of their State revenue sharing received based on single family units within the transferred area. The term of this agreement is for fifty (50) years and may be renewed for an additional fifty (50) years with both municipal governments' written agreement.

NOTE I: COMMITMENTS

The Township entered into an agreement on July 19, 1996 with Williamston Community Schools whereby the Township agrees to pay the Schools $10,000 per year for ten (10) years in exchange for use of the School's pool facility by Township residents. As of March 31, 2006, the Township has outstanding commitment to the Schools of $10,000.

NOTE J: FUND BALANCE DESIGNATIONS

Designated fund balance indicates that portion of the fund balance that the Township has set aside for specific purposes. The following are the fund balance reserves and designations as of March 31, 2006:

General Fund	
Designated for subsequent year's expenditures	$ 15,810
Designated for pool commitment	10,000
	$ 25,810
Cemetery Fund	
Designated for subsequent year's expenditures	$ 8,060

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

In the required supplementary information to the basic financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
General government			
Elections	$ 6,115	$ 6,183	$ 68
Building and grounds	52,275	53,805	1,530
Public works			
Drains at large	3,000	3,540	540
Permits	500	1,821	1,321
Recreation and cultural			
Parks land maintenance	20,000	21,849	1,849
Other			
Employee insurance	5,760	6,569	809
Payroll taxes	12,000	12,258	258
Unemployment	200	5,507	5,307
Miscellaneous	1,500	1,707	207
Cemetery			
General government	64,250	66,802	2,552

NOTE L: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the current period, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets and fund equity, respectively. The effect on operations and other affected balances for the current and prior period are as follows:

	March 31, 2006	March 31, 2005	Description
Government Activities			
Due from other governmental units	$ -	$(6,475)	To correct overstated
Change in net assets	-	(6,475)	due from other
Net assets - beginning	(6,475)	-	governmental units
Payroll liabilities	-	8,030	To correct understated
Change in net assets	-	(8,030)	payroll liabilities
Net assets - beginning	(8,030)	-	
General Fund			
Due from other governmental units	-	(6,475)	To correct overstated
Revenues over (under) expenditures	-	(6,475)	due from other
Fund balance - beginning	(6,475)	-	governmental units
Payroll liabilities	-	8,030	To correct understated
Revenues over (under) expenditures	-	(8,030)	payroll liabilities
Fund balance - beginning	(8,030)	-	

REQUIRED SUPPLEMENTARY INFORMATION

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	$ 172,000	$ 172,000	$ 179,142	$ 7,142
Delinquent personal property taxes	200	200	139	(61)
Trailer tax	200	200	150	(50)
Interest and penalties	-	-	8,589	8,589
Administrative fees	6,030	6,030	5,667	(363)
Total taxes	178,430	178,430	193,687	15,257
Licenses and permits				
Cable television license	17,016	17,016	17,122	106
Building permits	43,000	43,000	33,888	(9,112)
Total licenses and permits	60,016	60,016	51,010	(9,006)
Intergovernmental - State				
Sales and use tax	315,000	315,000	326,480	11,480
Metro act	-	-	4,572	4,572
Total intergovernmental	315,000	315,000	331,052	16,052
Charges for services				
Planning fees	30,000	30,000	12,867	(17,133)
Copies	900	900	1,405	505
Other	500	500	63	(437)
Total charges for services	31,400	31,400	14,335	(17,065)
Interest and rents				
Interest	17,220	17,220	36,247	19,027
Rentals	2,900	2,900	5,548	2,648
Total interest and rents	20,120	20,120	41,795	21,675
Other				
Special assessments	5,620	5,620	4,935	(685)
Refunds and rebates	-	-	2,857	2,857
Miscellaneous	9,329	9,329	485	(8,844)
Total other revenue	14,949	14,949	8,277	(6,672)
TOTAL REVENUES	619,915	619,915	640,156	20,241

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Township board	$ 64,779	$ 79,779	$ 74,334	$ 5,445
Supervisor	32,160	32,160	28,998	3,162
Clerk	32,598	32,598	31,394	1,204
Board of review	2,200	2,300	1,896	404
Treasurer	36,632	36,632	34,080	2,552
Assessor	47,000	47,000	41,624	5,376
Elections	6,050	6,115	6,183	(68)
Building and grounds	52,275	52,275	53,805	(1,530)
Cable commission	975	1,106	1,105	1
Board of appeals	3,400	3,400	858	2,542
Township office	65,200	65,100	62,166	2,934
Total general government	343,269	358,465	336,443	22,022
Public safety				
Building inspection	33,630	33,630	30,329	3,301
Public works				
Drains at large	3,000	3,000	3,540	(540)
Road improvements and maintenance	30,000	30,000	6,514	23,486
Recycling/transfer station	4,936	4,936	3,711	1,225
Permits	500	500	1,821	(1,321)
Total public works	38,436	38,436	15,586	22,850
Community and economic development				
Planning commission	62,962	62,962	59,254	3,708
Zoning administrator	3,700	3,700	1,555	2,145
Total community and economic development	66,662	66,662	60,809	5,853
Recreation and cultural				
Red Cedar Association	8,000	8,000	5,320	2,680
Park land maintenance	20,000	20,000	21,849	(1,849)
Pool appropriations	10,000	10,000	10,000	-0-
Total recreation and cultural	38,000	38,000	37,169	831
Debt service	14,435	14,435	14,435	-0-

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Other				
Employee insurance	$ 5,760	$ 5,760	$ 6,569	$ (809)
Payroll taxes	12,000	12,000	12,258	(258)
Pension plan	7,790	7,790	3,709	4,081
Unemployment	200	200	5,507	(5,307)
Miscellaneous	1,500	1,500	1,707	(207)
Contingency	30,000	14,804	-	14,804
Total other	57,250	42,054	29,750	12,304
TOTAL EXPENDITURES	591,682	591,682	524,521	67,161
EXCESS OF REVENUES OVER EXPENDITURES	28,233	28,233	115,635	87,402
OTHER FINANCING USES				
Transfer out	(24,000)	(24,000)	(24,000)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	4,233	4,233	91,635	87,402
Fund balance, beginning of year	1,152,632	1,152,632	1,152,632	-0-
Prior period adjustments	-	-	(14,505)	(14,505)
Fund balance, end of year	$ 1,156,865	$ 1,156,865	$ 1,229,762	$ 72,897

Township of Williamstown

Cemetery

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 12,000	$ 12,000	$ 12,020	$ 20
Charges for services	40,000	40,000	19,741	(20,259)
Interest and rents	1,900	1,900	3,677	1,777
Other	200	200	9,973	9,773
TOTAL REVENUES	54,100	54,100	45,411	(8,689)
EXPENDITURES				
General government	64,250	64,250	66,802	(2,552)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,150)	(10,150)	(21,391)	(11,241)
OTHER FINANCING SOURCES				
Transfer In	24,000	24,000	24,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	13,850	13,850	2,609	(11,241)
Fund balance, beginning of year	109,112	109,112	109,112	-0-
Fund balance, end of year	$ 122,962	$ 122,962	$ 111,721	$ (11,241)

OTHER SUPPLEMENTARY INFORMATION

Township of Williamstown

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended March 31, 2006

REVENUES		
Licenses and permits		
Building permits	$	33,888
Charges for services		
Planning fees		12,867
Total construction code revenues		46,755
EXPENDITURES		
Public safety		
Building inspection		30,329
Community and economic development		
Zoning administrator		1,555
Planning commission		59,254
Total community and economic development		60,809
Total construction code expenditures		91,138
Excess of revenues (under) expenditures	$	(44,383)

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MANAGEMENT LETTER

To the Members of the Township Board
Township of Williamstown
Williamston, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Township of Williamstown, Michigan, as of and for the year ended March 31, 2006. In connection with the audit we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Township should assure all applicable personnel issues are documented.

   During our testing of the payroll process we noted that one (1) of the five (5) transactions tested did not have pay rates that were specifically authorized detailing the breakdown of each employees individual pay rate. We also noted that the same transaction did not have a supervisor's signature or initials documenting approval. These issues were noted and reported in our previous audit comments.

   We suggest that payroll records be reviewed and that all wage rates be specifically approved and documented or an approved employment agreement be placed in each individual's personnel file. We also suggest that all timecards be signed or initialed indicating approval by the supervisor.

2. The Township Board should assure that two (2) signatures are on all checks.

   During the testing of the disbursement process, we noted that one (1) of the five (5) transactions tested did not have two (2) signatures, even though this is required for disbursements.

   The main concept of internal control is to assure that no one (1) individual handles all aspects of processing a transaction.

   We suggest the Board assure that all disbursements have at least two (2) authorized signers to ensure efficiency in processing transactions and to strengthen the internal control systems.

3. The Township should adopt an electronic transactions resolution.

   During our analysis of internal controls, it was noted that the Board has not implemented a written electronic transaction resolution as required by Michigan Compiled Law. Public Act 738 of 2002 requires that local units of government that utilize electronic transactions adopt a written Electronic Transaction Resolution. This issue had been noted and reported in our previous audit comments.

   We suggest the Board prepare a formal electronic transaction resolution that complies with the compiled law and adopt it through Board action as soon as possible.

4. The Township Board should adopt a capital asset management policy.

During discussions with management, we noted that the Board of Directors has not formally implemented written procedures and policies for capital asset management. This issue was noted and reported in our previous audit comments.

We suggest that the Board adopt a policy for the capitalization and disposal of fixed assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold to be used. Items below the threshold established by the Board may be expensed as they are purchased. The policy should also specify that the disposal of capital assets require formal approval by the Township Board. Such approval should be documented in the minutes of the Board meetings.

5. The Clerk and Treasurer should periodically reconcile the financial activity of the Township.

During the course of our audit, we noted that the Township Clerk and the Township Treasurer did not periodically reconcile the financial activity of the Township throughout the year. Michigan Compiled Law statutorily requires the Township Clerk to maintain custody of all Township records, maintain the general ledger, prepare warrants for Township checks, and prepare financial statements. Michigan Compiled Law statutorily requires the Township Treasurer to collect property taxes, keep an account of Township receipts and expenditures, issue Township checks, deposit Township revenues in approved depositories, and invest Township funds in approved investment vehicles. This issue was noted and reported in our previous audit comments.

Because fulfilling the financial accounting responsibilities for the offices of Clerk and Treasurer are interdependent, we suggest that the Clerk and Treasurer reconcile their respective accountings of Township revenues and expenditures periodically throughout the year, preferably monthly. Reconciling the records of these two officials will assure greater accuracy of the financial reporting and strengthen the internal controls of the Township.

6. The Township should assure that sales tax is not paid in the future.

During the course of our audit, it was noted that the Township Treasurer paid sales tax on a purchase of a printer. As a governmental entity, the Township is exempt from paying sales tax.

We suggest that the Township review all future purchases to make sure that sales tax is not being paid. The benefit of implementing this suggestion will be the savings of cost of sales tax expenditures.

7. The Township should assure that entries are not posted to previous fiscal years.

During the course of our audit it was noted that journal entries and/or other adjustments were recorded with posting dates prior to the end of the previous fiscal year. Because of these postings to previous fiscal years the general ledger balances provided by the Township for audit as of March 31, 2006 were inaccurate.

We suggest the Township review general ledger account balances monthly and prior to the audit for accuracy. The benefit of implementing this suggestion will be accurate financial reporting and savings on accounting fees.

8. The Township should assure sewer connection fees are billed and collected according to the terms of the agreement with the mobile home park.

During the course of our audit it was noted that the Township has not billed the mobile home park their annual payment per the terms of their 1993 "agreements and permit for sewer line connection".

We suggest the Township review the agreement and bill the mobile home park in accordance with this agreement. The cost of implementing this suggestion will be the time to research the agreement and past amounts received. The benefit of implementing this suggestion will be that the Township will be able to bill the mobile home park the appropriate amounts and there will be increased cash flow to the Township.

9. The Township should escheat unclaimed property to the State of Michigan.

   During our audit, it was noted that the Township had outstanding checks listed on their bank reconciliations that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan.

   We suggest the Township attempt to contact the payees in an effort to clear old outstanding checks. In the event the rightful property owners cannot be located, we suggest the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

10. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

    During the course of our audit and through discussions with management, it was noted that the Township has not amended their investment policy to address the reporting requirements of GASB Statement No. 40.

    Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

    We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Townships financial statements by GASB Statement No. 40.

11. The Township should assure that it is not delinquent in distributing tax revenues collected for another taxing unit.

    During the course of our audit, it was noted that the Township was delinquent in distributing tax revenues that were collected for another taxing unit. The Township was also unable to determine the appropriate amounts to be distributed to the appropriate taxing units. Subsequent to the last day of the fiscal year, the Township identified the appropriate distribution for approximately $47,000 of the $78,173 on hand at fiscal year end. Subsequent to our last day of audit fieldwork, it was determined that approximately $32,000 of the $78,173 was owed to Haslett Public Schools.

    We suggest that the Township continue to analyze the balance of the undistributed property taxes so that it may be distributed appropriately. We also suggest that the Township distribute future property tax collections in a timely manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated June 2, 2006.

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

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 2, 2006

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REPORT ON INTERNAL CONTROL

To the Members of the Township Board
Township of Williamstown
Williamston, Michigan

We have audited the financial statements of Township of Williamstown as of and for the year ended March 31, 2006, and have issued our report thereon dated June 2, 2006.

In planning and performing our audit of the financial statements of Township of Williamstown for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

The management of Township of Williamstown is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with another comprehensive basis of accounting. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted a certain item involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

SEGREGATION OF DUTIES IN THE CASH RECEIPTING PROCESS

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties related to cash receipts. This issue was noted and reported in our previous audit comments. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipting, depositing, bank reconciliations, posting journal entries, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review its cash receipting process and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

A material weakness is a condition in which the design or operation of one (1) or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. The reportable condition referred to above is believed to be a material weakness.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 2, 2006