

# 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 <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name Williamstown Township		County Ingham	
Fiscal Year End 3/31/07		Opinion Date 10/12/07		Date Audit Report Submitted to State 10/31/07			

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State   Zip MI   48823
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	License Number 1101024055

**Township of Williamstown  
Ingham County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2007**

Township of Williamstown

Ingham County, Michigan

March 31, 2007

BOARD OF TRUSTEES

Mickey Martin	Supervisor
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Howard Dahlstrom	Clerk
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Al LeBlanc	Treasurer
------------	-----------

Martin Wright	Trustee
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Frans Wilbrink	Trustee
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Rick Williams	Trustee
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Robert Hayes	Trustee
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Township of Williamstown

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

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, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2007, 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

October 12, 2007

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

**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, 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 March 31, 2007:

- State shared revenue, our largest revenue source in the General Fund, was increased by the State of Michigan by approximately \$3,350 this year.
- Tax revenues from the current Township levy increased by \$9,341.

**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, 2006 and March 31, 2007.

	<u>2006</u>	<u>2007</u>
<b>Assets</b>		
Current assets	\$ 1,418,013	\$ 1,421,866
Capital assets, net	<u>970,142</u>	<u>963,529</u>
Total assets	2,388,155	2,385,395

Township of Williamstown  
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

**The Township as a Whole - continued**

	<u>2006</u>	<u>2007</u>
<b>Liabilities</b>		
Current liabilities	\$ 53,900	\$ 42,031
<b>Net Assets</b>		
Invested in capital assets, Net of related debt	967,238	963,529
Unrestricted	<u>1,367,017</u>	<u>1,379,835</u>
Total net assets	<u>\$ 2,334,255</u>	<u>\$ 2,343,364</u>

The Township's total net assets were \$2,343,364 at March 31, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,379,835 at the end of the fiscal year. The net assets invested in capital assets, net of related debt were at \$963,529.

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

	<u>2006</u>	<u>2007</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 113,172	\$ 91,918
Operating grants and contributions	16,592	16,654
General revenues:		
Property taxes	179,431	192,852
State shared revenue	326,480	329,830
Investment earnings	39,924	62,640
Other revenue	<u>9,968</u>	<u>8,292</u>
Total revenue	685,567	702,186
<b>Program Expenses</b>		
General government	399,092	452,582
Public safety	30,489	26,523
Public works	15,586	93,727
Community and economic development	60,809	66,523
Recreation and cultural	37,169	53,722
Other	<u>29,750</u>	<u>-</u>
Total program expenses	<u>572,895</u>	<u>693,077</u>
Change in Net Assets	<u>\$ 112,672</u>	<u>\$ 9,109</u>

Township of Williamstown

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

**Governmental Activities**

The Township's governmental revenues totaled \$702,186 with the greatest revenue source being state shared revenue. State shared revenue makes up approximately 47.0 percent of total governmental revenue and property taxes make up approximately 27.5 percent of total governmental revenue.

The Township incurred expenses of \$693,077 during the year. General government makes up 65.3 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 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, 2007 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, and Public Works.

**Capital Asset and Debt Administration**

At the end of the fiscal year, the Township had \$963,529 invested in a broad range of capital assets, including buildings, land and equipment. During the current year the Township paid \$2,904 in debt principal on an interest free capital lease. The Township has no outstanding debt as of March 31, 2007.

**Current Economic Factors**

Revenue sharing is expected to decrease due to Michigan's economy. With the installation of a communications tower expenditures will be made but the Township will also receive revenues from the provider. These revenues will be an ongoing increase to the Township's budget.

**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, 2007

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 522,728
Investments	820,455
Receivables	78,683
Total current assets	1,421,866
Noncurrent assets	
Capital assets not being depreciated	403,116
Capital assets, net of accumulated depreciation	560,413
Total noncurrent assets	963,529
<b>TOTAL ASSETS</b>	2,385,395
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	29,948
Accrued liabilities	12,083
<b>TOTAL LIABILITIES</b>	42,031
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	963,529
Unrestricted	1,379,835
<b>TOTAL NET ASSETS</b>	\$ 2,343,364

See accompanying notes to financial statements.

Township of Williamstown  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 452,582	\$ 64,181	\$ 12,000	\$ (376,401)
Public safety	26,523	-	-	(26,523)
Public works	93,727	5,312	4,654	(83,761)
Community and economic development	66,523	22,425	-	(44,098)
Recreation and cultural	53,722	-	-	(53,722)
	<u>\$ 693,077</u>	<u>\$ 91,918</u>	<u>\$ 16,654</u>	<u>(584,505)</u>
General revenues				
Property taxes				192,852
State shared revenue				329,830
Investment earnings				62,640
Miscellaneous				8,292
				<u>593,614</u>
				9,109
Net assets, beginning of the year				<u>2,334,255</u>
Net assets, end of the year				<u>\$ 2,343,364</u>

See accompanying notes to financial statements.

Township of Williamstown  
GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Nonmajor Governmental Fund (Cemetery)	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 494,053	\$ 28,675	\$ 522,728
Investments	726,198	94,257	820,455
Receivables			
Accounts	18,611	2,941	21,552
Taxes	9,628	-	9,628
Interest	19,213	2,756	21,969
Tap-in fees	25,534	-	25,534
	<u>\$ 1,293,237</u>	<u>\$ 128,629</u>	<u>\$ 1,421,866</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 29,898	\$ 50	\$ 29,948
Accrued liabilities	10,910	1,173	12,083
Deferred revenue	25,534	-	25,534
	<u>66,342</u>	<u>1,223</u>	<u>67,565</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCES</b>			
Unreserved			
Designated for subsequent year's expenditures	140,674	10,714	151,388
Undesignated, reported in			
General fund	1,086,221	-	1,086,221
Special revenue funds	-	116,692	116,692
	<u>1,226,895</u>	<u>127,406</u>	<u>1,354,301</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 1,293,237</u>	<u>\$ 128,629</u>	<u>\$ 1,421,866</u>

See accompanying notes to financial statements.

Township of Williamstown

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

March 31, 2007

**Total fund balances - governmental funds** \$ 1,354,301

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	\$ 1,071,270
Accumulated depreciation is	<u>(107,741)</u>

Capital assets, net	963,529
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Long-term receivables are not available to pay for current period expenditures and are  
therefore deferred in the funds. These consist of:

Deferred revenue	<u>25,534</u>
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**Net assets of governmental activities** \$ 2,343,364

See accompanying notes to financial statements.

Township of Williamstown

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

Year Ended March 31, 2007

	General	Nonmajor Governmental Fund (Cemetery)	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 198,742	\$ -	\$ 198,742
Licenses and permits	34,692	-	34,692
Intergovernmental	334,484	12,000	346,484
Charges for services	12,253	27,849	40,102
Interest and rents	62,593	5,950	68,543
Other	11,240	2,383	13,623
<b>TOTAL REVENUES</b>	<b>654,004</b>	<b>48,182</b>	<b>702,186</b>
<b>EXPENDITURES</b>			
Current			
General government	359,907	58,497	418,404
Public safety	26,363	-	26,363
Public works	93,708	-	93,708
Community and economic development	66,523	-	66,523
Recreation and cultural	53,533	-	53,533
Debt service	2,905	-	2,905
Other	27,932	-	27,932
<b>TOTAL EXPENDITURES</b>	<b>630,871</b>	<b>58,497</b>	<b>689,368</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>23,133</b>	<b>(10,315)</b>	<b>12,818</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	-	26,000	26,000
Transfer out	(26,000)	-	(26,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(26,000)</b>	<b>26,000</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,867)</b>	<b>15,685</b>	<b>12,818</b>
Fund balances, beginning of year	1,229,762	111,721	1,341,483
Fund balances, end of year	<u>\$ 1,226,895</u>	<u>\$ 127,406</u>	<u>\$ 1,354,301</u>

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, 2007

**Net change in fund balances - total governmental funds** \$ 12,818

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	\$ 28,465	
Depreciation expense	<u>(35,078)</u>	
Excess of depreciation expense over capital outlay		(6,613)

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		<u>2,904</u>
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**Change in net assets of governmental activities** \$ 9,109

See accompanying notes to financial statements.

Township of Williamstown

Fiduciary Fund

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 11,992</u>
LIABILITIES	
Uncategorized - due to others	<u>\$ 11,992</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**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 fund of the Township is:

- 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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

5. Basis of Accounting - continued

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 budget shown as required supplementary information to the financial statements was 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:

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, 2007, the Township levied .8465 mills for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$222,824,569.

Township of Williamstown

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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

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.
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.

Township of Williamstown  
 NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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

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, 2007, the carrying amounts and the bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 40,359	\$ 67,285
Savings and certificates of deposit	<u>1,314,655</u>	<u>1,314,655</u>
	<u>\$ 1,355,014</u>	<u>\$ 1,381,940</u>

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, 2007, the Township accounts were insured by the FDIC for \$971,292 and the amount of \$410,648 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.

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, 2007:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 522,728	\$ 11,992	\$ 534,720
Investments	<u>820,455</u>	<u>-</u>	<u>820,455</u>
	<u>\$ 1,343,183</u>	<u>\$ 11,992</u>	<u>\$ 1,355,175</u>

Township of Williamstown  
 NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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

The cash and cash equivalents captions on the combined balance sheet and statement of net assets include \$161 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	\$ <u>26,000</u>

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007, was as follows:

**Governmental activities**

	Balance <u>April 1, 2006</u>	Additions	Deletions	Balance <u>March 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 403,116	\$ -	\$ -	\$ 403,116
Capital assets being depreciated:				
Buildings and improvements	513,600	-	-	513,600
Vehicles	63,807	-	-	63,807
Equipment	<u>62,282</u>	<u>28,465</u>	<u>-</u>	<u>90,747</u>
Total capital assets being depreciated	639,689	28,465	-0-	668,154
Less accumulated depreciation for:				
Buildings and improvements	( 31,000 )	( 12,840 )	-	( 43,840 )
Vehicles	( 16,409 )	( 8,850 )	-	( 25,259 )
Equipment	<u>( 25,254 )</u>	<u>( 13,388 )</u>	<u>-</u>	<u>( 38,642 )</u>
Total accumulated depreciation	<u>( 72,663 )</u>	<u>( 35,078 )</u>	<u>-0-</u>	<u>( 107,741 )</u>
Net capital assets being depreciated	<u>567,026</u>	<u>( 6,613 )</u>	<u>-0-</u>	<u>560,413</u>
Net capital assets - governmental activities	<u>\$ 970,142</u>	<u>\$ ( 6,613 )</u>	<u>\$ -0-</u>	<u>\$ 963,529</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 34,918
Public safety	<u>160</u>
Total depreciation expense	<u>\$ 35,078</u>

Township of Williamstown

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**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, 2007:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
Capital lease	\$ <u>2,904</u>	\$ <u>-0-</u>	\$ <u>2,904</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**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 eligible employees, permits them to defer a portion of their current salary until future years. In addition, the Township made contributions of 3.75% of current salary, through May 2006. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended March 31, 2007, the Township contributed \$1,868 to the plan and employees contributed \$1,839.

**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.

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.

Township of Williamstown

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE H: INTERGOVERNMENTAL AGREEMENTS - CONTINUED**

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: 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, 2007:

General Fund	
Designated for subsequent year's expenditures	<u>\$ 140,674</u>
Cemetery Fund	
Designated for subsequent year's expenditures	<u>\$ 10,714</u>

**NOTE J: 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.

In the required supplementary information to the basic financial statements, the Township's budgeted expenditures in the General Fund has 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, 2007, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Road improvements and maintenance	\$ 61,000	\$ 88,377	\$ 27,377
Community and economic development			
Planning commission	57,340	64,753	7,413
Recreational and cultural			
Historical committee	12,000	12,372	372
Debt service	-	2,905	2,905
Other			
Employee Insurance	7,200	8,909	1,709
Unemployment	700	4,478	3,778

**REQUIRED SUPPLEMENTARY INFORMATION**

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current tax levy	\$ 176,000	\$ 179,288	\$ 188,483	\$ 9,195
Delinquent personal property taxes	500	500	-	(500)
Trailer tax	132	132	88	(44)
Interest and penalties	5,250	2,650	4,281	1,631
Administrative fees	5,675	5,675	5,890	215
<b>Total taxes</b>	<b>187,557</b>	<b>188,245</b>	<b>198,742</b>	<b>10,497</b>
Licenses and permits				
Cable television license	18,000	18,000	18,611	611
Building permits	48,000	48,000	16,081	(31,919)
<b>Total licenses and permits</b>	<b>66,000</b>	<b>66,000</b>	<b>34,692</b>	<b>(31,308)</b>
Intergovernmental - State				
Sales and use tax	337,972	337,972	329,830	(8,142)
Metro act	4,600	4,600	4,654	54
<b>Total intergovernmental</b>	<b>342,572</b>	<b>342,572</b>	<b>334,484</b>	<b>(8,088)</b>
Charges for services				
Planning fees	30,000	30,000	6,344	(23,656)
Copies	1,200	1,200	603	(597)
Other	500	500	5,306	4,806
<b>Total charges for services</b>	<b>31,700</b>	<b>31,700</b>	<b>12,253</b>	<b>(19,447)</b>
Interest and rents				
Interest	34,280	34,280	56,690	22,410
Rentals	5,000	5,000	5,903	903
<b>Total interest and rents</b>	<b>39,280</b>	<b>39,280</b>	<b>62,593</b>	<b>23,313</b>
Other				
Special assessments	4,934	4,934	5,312	378
Refunds and rebates	-	-	1,687	1,687
Miscellaneous	2,000	2,000	4,241	2,241
<b>Total other revenue</b>	<b>6,934</b>	<b>6,934</b>	<b>11,240</b>	<b>4,306</b>
<b>TOTAL REVENUES</b>	<b>674,043</b>	<b>674,731</b>	<b>654,004</b>	<b>(20,727)</b>

Township of Williamstown

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
General government				
Township board	\$ 78,179	\$ 79,124	\$ 73,297	\$ 5,827
Supervisor	32,950	36,589	33,284	3,305
Clerk	44,000	42,691	40,920	1,771
Board of review	2,200	2,400	640	1,760
Treasurer	39,762	45,005	41,670	3,335
Assessor	47,800	48,550	39,664	8,886
Elections	11,000	12,500	9,735	2,765
Building and grounds	61,800	67,682	44,400	23,282
Cable commission	975	975	730	245
Board of appeals	4,050	2,800	1,633	1,167
Township office	82,525	80,325	73,934	6,391
Total general government	405,241	418,641	359,907	58,734
Public Safety				
Building inspection	37,380	37,380	26,363	11,017
Public works				
Drains at large	3,000	3,000	173	2,827
Road improvements and maintenance	30,000	61,000	88,377	(27,377)
Recycling/transfer station	3,900	3,900	3,837	63
Permits	1,500	1,500	1,321	179
Total public works	38,400	69,400	93,708	(24,308)
Community and economic development				
Planning commission	64,340	57,340	64,753	(7,413)
Zoning administrator	3,300	3,300	1,770	1,530
Total community and economic development	67,640	60,640	66,523	(5,883)
Recreation and cultural				
Red Cedar Association	8,000	8,000	5,410	2,590
Park land maintenance	20,000	25,000	18,728	6,272
Pool appropriations	10,000	10,000	10,000	-0-
Historical committee	15,000	12,000	12,372	(372)
Senior grant	7,000	7,000	7,000	-0-
Other	-	1,000	23	977
Total recreation and cultural	60,000	63,000	53,533	9,467
Debt service	-	-	2,905	(2,905)

## Township of Williamstown

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Other				
Employee insurance	\$ 7,200	\$ 7,200	\$ 8,909	\$ (1,709)
Payroll taxes	12,000	12,000	8,726	3,274
Pension plan	14,000	14,000	5,674	8,326
Unemployment	700	700	4,478	(3,778)
Miscellaneous	1,000	31,000	145	30,855
Contingency	30,000	11,180	-	11,180
Total other	64,900	76,080	27,932	48,148
TOTAL EXPENDITURES	673,561	725,141	630,871	94,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	482	(50,410)	23,133	73,543
OTHER FINANCING USES				
Transfer out	(26,000)	(26,000)	(26,000)	-0-
NET CHANGE IN FUND BALANCE	(25,518)	(76,410)	(2,867)	73,543
Fund balance, beginning of year	1,229,762	1,229,762	1,229,762	-0-
Fund balance, end of year	\$ 1,204,244	\$ 1,153,352	\$ 1,226,895	\$ 73,543

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Williamstown

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended March 31, 2007

REVENUES	
Licenses and permits	
Building permits	\$ 16,081
Charges for services	
Planning fees	<u>6,344</u>
Total construction code revenues	22,425
EXPENDITURES	
Public safety	
Building inspection	26,363
Community and economic development	
Zoning administrator	1,770
Planning commission	<u>64,753</u>
Total community and economic development	<u>66,523</u>
Total construction code expenditures	<u>92,886</u>
Excess of revenues (under) expenditures	<u>\$ (70,461)</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF THE FINANCIAL STATEMENTS**

To the 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 as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 following deficiencies to be significant deficiencies in internal control over financial reporting:

06-1 SPECIAL ASSESSMENT SEWER CONNECTION FEES

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". This issue was noted and reported in our previous audit comments.

We recommend 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.

## 06-2 DISTRIBUTION OF PROPERTY TAX COLLECTIONS

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. These issues were noted and reported in our previous audit comments.

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

## 07-1 ACCOUNTS PAYABLE DISBURSEMENTS

During the course of our audit, it was noted that the Township was paying bills after their due dates on a routine basis. These late payments caused the Township's workers compensation policy to be cancelled, and other late fees that could be easily avoided.

We recommend that the Township make all payments in a timely manner.

## 07-2 DOCUMENTATION FOR JOURNAL ENTRIES

During the course of our audit, it was noted that the Township does not maintain adequate documentation for journal entries. Journal entries are made with no documentation kept to verify the substance, accuracy, or purpose of the entry.

We recommend the Township maintain all documentation relating to journal entries.

## 07-3 RECONCILIATION OF PAYROLL LIABILITIES

During the course of our audit, we noted that the Township has payroll liabilities recorded in the general ledger that they have not reconciled to supporting documentation.

We recommend that the Township reconcile these payroll liabilities and make payments to the respective government agencies for these outstanding liabilities.

## 07-4 PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Township of Williamstown. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

## 07-5 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of accrual accounting were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

## 07-6 BANK RECONCILIATIONS

During the course of our audit, we noted that bank reconciliations were not completed on a timely basis by management. Internal control is a process - affected by an entity's board, management, and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. The preparation of bank reconciliations is a significant part of the internal controls of the Township.

Internal control consists of five interrelated components:

- a. *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- b. *Risk assessment* is the entity's identification and analysis of relevant risk to achievement of its objectives, forming a basis for determining how the risks should be managed.
- c. *Control activities* are the policies and procedures that help ensure that management directives are carried out.
- d. *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- e. *Monitoring* is a process that assesses the quality of internal control performance over time.

We recommend that bank reconciliations be completed on a monthly basis and that completed reconciliations be reviewed by management and tied to the computerized general ledger. The review should be documented with the reviewer's initials and date of review and be retained for audit purposes.

## 07-7 REPORTING OF IRS FORM 941 WAGES

During the course of the audit, it was noted that the wages reported on the IRS Form 941's did not match the wages reported in the financial statements. After our analysis of these wages, the Township subsequently reviewed the amounts reported on the 941's originally filed with the IRS. Based on the Township's own internal review, they have prepared revised 941's.

It is our understanding that the Township Clerk has no intention of filing the necessary Form 941-C (corrected 941 to be filed with the internal revenue service) without further verification of the accuracy of the revised information by an outside party.

We recommend the Township Board assure that corrected payroll information is filed with the internal revenue service. We further recommend the Township Board review their current procedures for reporting payroll information to the IRS to assure accuracy in the future. Possible revisions to the current procedures could include contracting with a payroll service in which case the Township will need to assure that appropriate journal entries are recorded in the general ledger system based on reports generated by the payroll service contractor.

A material weakness is a significant deficiency, or a 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above as 07-4, 07-5, 07-6, and 07-7 are material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance:

### 06-3 INVESTMENT POLICY

During the course of our audit it was noted that the Township has not amended their investment policy to address the reporting requirements of GASB Statement No. 40. Effective for the year ended March 31, 2006, GASB Statement No. 40 was 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. This issue was noted and reported in our previous audit comments.

We recommend 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, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

### 06-4 ELECTRONIC TRANSACTION 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 was noted and reported in our previous audit comments.

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

### 06-5 RECONCILIATION OF FINANCIAL ACTIVITY

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 recommend 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.

### 06-6 UNCLAIMED PROPERTY

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 Township report and escheat unclaimed property to the State of Michigan. This issue was noted and reported in our previous audit comments.

We recommend 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 recommend the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

This report is intended solely for the information and use of management, the members of the Williamstown Township Board, and others within the Township 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

October 12, 2007