

# 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 <b>HANOVER TOWNSHIP</b>	County <b>JACKSON</b>
Fiscal Year End <b>3/31/07</b>	Opinion Date <b>8/27/07</b>	Date Audit Report Submitted to State <b>9/11/07</b>	

We affirm that:

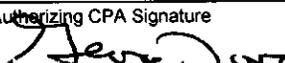
We are certified public accountants licensed to practice in Michigan.

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 type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, PLC</b>		Telephone Number <b>(517)796-8880</b>	
Street Address <b>209 E WASHINGTON, SUITE 255</b>		City <b>JACKSON</b>	State Zip <b>MI 49201</b>
Authorizing CPA Signature 	Printed Name <b>GEORGE DOVE</b>		License Number <b>1101011397</b>

HANOVER TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended March 31, 2007

## TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Proprietary Fund:	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statement of Cash Flows	14
Fiduciary Funds:	
Statement of Assets and Liabilities	15
Notes to Financial Statements	16 - 26
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule - General Fund	27
Budgetary Comparison Schedule - Fire Fund	28
Budgetary Comparison Schedule - Public Improvement Fund	29
Budgetary Comparison Schedule - Building Department Fund	30

**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Township Board  
Hanover Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hanover Township 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 Hanover Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The management's discussion and analysis and the budgetary comparison schedule, 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 inquires 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 Hanover Township's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

August 27, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## HANOVER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Hanover Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the Township's financial statements which follow.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended March 31, 2007:

- The assets of the Township exceeded its liabilities by \$5,592,591. This represents a \$34,710 increase in net assets compared with the prior year.
- The Township's ending governmental funds balance was \$1,321,230 a decrease of \$958 compared with the prior year. \$1,182,788 of the funds balance is unreserved and available for spending at the Township's discretion.
- The General Fund transferred \$78,192 to the Public Improvement Fund to be used for future purchase of capital assets or improvements.
- The Round/Farwell Lake Sewer Project was substantially completed and operated this fiscal year. The Township's ending business-type activities net assets was \$3,659,839 a decrease of \$9,999 compared with the prior year. \$454 of the net assets balance is unrestricted.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

## Hanover Township as a Whole

The following table shows a condensed format of the net assets as of March 31, 2007 and 2006.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Current and Other Assets	\$1,344,134	\$1,469,276	\$ 576,097	\$2,299,451	\$1,920,231	\$3,768,727
Non-current Special Assessments	-0-	-0-	1,907,255	2,152,261	1,907,255	2,152,261
Non-current Capital Assets	<u>611,522</u>	<u>565,855</u>	<u>3,816,587</u>	<u>2,300,069</u>	<u>4,428,109</u>	<u>2,865,924</u>
Total assets	<u>1,955,656</u>	<u>2,035,131</u>	<u>6,299,939</u>	<u>6,751,781</u>	<u>8,255,595</u>	<u>8,786,912</u>
<b>Liabilities</b>						
Other liabilities	22,904	147,088	194,125	247,718	217,029	394,806
Long-term liabilities	<u>-0-</u>	<u>-0-</u>	<u>2,445,975</u>	<u>2,834,225</u>	<u>2,445,975</u>	<u>2,834,225</u>
Total liabilities	<u>22,904</u>	<u>147,088</u>	<u>2,640,100</u>	<u>3,081,943</u>	<u>2,663,004</u>	<u>3,229,031</u>
<b>Net Assets</b>						
Invested in capital assets - net of related debt	611,522	565,855	1,208,960	1,080,059	1,820,482	1,645,914
Restricted	138,442	171,241	2,450,425	2,589,779	2,588,867	2,761,020
Unrestricted	<u>1,182,788</u>	<u>1,150,947</u>	<u>454</u>	<u>-0-</u>	<u>1,183,242</u>	<u>1,150,947</u>
Total Net Assets	<u>\$1,932,752</u>	<u>\$1,888,043</u>	<u>\$3,659,839</u>	<u>\$3,669,838</u>	<u>\$5,592,591</u>	<u>\$5,557,881</u>

The Township's combined net assets for both governmental and business-type activities total \$5,592,591 for the year 2007. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$4,409,349. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$1,183,242.

## Hanover Township as a Whole (Continued)

The following table shows the change in net assets for the year ended March 31, 2007 and 2006.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue</b>						
Program revenue:						
Charges for service	\$ 55,788	\$ 61,219	\$ 454	\$ -0-	\$ 56,242	\$ 61,219
Operating grants and contributions	-0-	313	-0-	-0-	-0-	313
Capital grants and contributions	11,305	69,849	109,227	280,357	120,532	350,206
General revenue:						
Property taxes	185,062	177,985	-0-	-0-	185,062	177,985
State-shared revenues	233,311	234,815	-0-	-0-	233,311	234,815
Interest	47,567	25,866	44,924	90,877	92,491	116,743
Cable franchise fees	2,710	2,795	-0-	-0-	2,710	2,795
Gain on sale of assets	3,999	-0-	-0-	-0-	3,999	-0-
Miscellaneous	<u>32</u>	<u>1,653</u>	<u>-0-</u>	<u>-0-</u>	<u>32</u>	<u>1,653</u>
Total revenue	<u>539,774</u>	<u>574,495</u>	<u>154,605</u>	<u>371,234</u>	<u>694,379</u>	<u>945,729</u>
<b>Expenses</b>						
General government	218,940	221,175	-0-	-0-	218,940	221,175
Public Safety	201,895	174,753	-0-	-0-	201,895	174,753
Public Works	72,610	59,886	-0-	-0-	72,610	59,886
Community and economic development	1,620	2,011	-0-	-0-	1,620	2,011
Sewer	<u>-0-</u>	<u>-0-</u>	<u>164,604</u>	<u>125,021</u>	<u>164,604</u>	<u>125,021</u>
Total expenses	<u>495,065</u>	<u>457,825</u>	<u>164,604</u>	<u>125,021</u>	<u>659,669</u>	<u>582,846</u>
<b>Change in Net Assets</b>	<u>\$ 44,709</u>	<u>\$ 116,670</u>	<u>(\$ 9,999)</u>	<u>\$ 246,213</u>	<u>\$ 34,710</u>	<u>\$ 362,883</u>

### Governmental Activities

Governmental activities are those activities (such as public safety and road improvement and maintenance) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$495,065 for the fiscal year 2007. Additionally, revenues for governmental activities totaled \$539,774, which netted to an increase in net assets for the year of \$44,709.

### Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Township's business-type activities consist of the Sewer Fund; this type of operation is most similar to private businesses.

## **The Township's Funds**

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Township's governmental services; Fire Protection; Public Improvement; Building; and Cemetery. The General Fund is supported by local property taxes and state-shared revenue and Fire Fund is supported by local property taxes.

## **Budgetary Highlights**

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year.

The following provides specific details regarding the amendments:

- The budget for General Fund total expenditures did not increase compared to the original budget.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual revenue positive variance was \$15,269.
- The actual expenditures positive variance was \$47,579.
- The actual combined positive variance was \$62,848.

## **Capital Asset and Debt Administration**

At the end of the fiscal year 2007, the Township had \$4,428,109 invested in capital assets (land, buildings, equipment, and sewer system, net of accumulated depreciation). These assets are necessary to carry out the day-to-day operations of the Township.

The Township paid \$536,369, of which \$388,250 was principal and \$148,119 was interest for the capital lease with Jackson County to finance the sewer system. The Township used special assessment collections to make the payments.

## **Economic Factors and Next Year's Budgets and Rates**

The construction of the Round/Farwell Lake Sewer Project was completed in the current fiscal year. It is anticipated that the majority of the customers will be hooked up and using the system in the next fiscal year.

## **Contacting the Township's Management**

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

HANOVER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$1,277,847	\$ 5	\$1,277,852
Receivables:			
Taxes	17,543	-0-	17,543
Special assessments - current	-0-	163,373	163,373
Other	2,710	-0-	2,710
Due from other governmental units	37,617	379,792	417,409
Prepaid expenses	8,417	-0-	8,417
Deposit - County	-0-	32,473	32,473
Investment in joint venture	-0-	454	454
Special assessments - net of current portion	-0-	1,907,255	1,907,255
Capital assets - net	<u>611,522</u>	<u>3,816,587</u>	<u>4,428,109</u>
Total assets	<u>1,955,656</u>	<u>6,299,939</u>	<u>8,255,595</u>
<u>LIABILITIES:</u>			
Accounts payable	3,054	-0-	3,054
Accrued liabilities	19,850	-0-	19,850
Capital lease obligations:			
Due within one year	-0-	194,125	194,125
Due in more than one year	<u>-0-</u>	<u>2,445,975</u>	<u>2,445,975</u>
Total liabilities	<u>22,904</u>	<u>2,640,100</u>	<u>2,663,004</u>
<u>NET ASSETS:</u>			
Invested in capital assets - net of related debt	611,522	1,208,960	1,820,482
Restricted:			
Public improvement	112,442	-0-	112,442
Perpetual care	26,000	-0-	26,000
Debt service	-0-	2,450,425	2,450,425
Unrestricted	<u>1,182,788</u>	<u>454</u>	<u>1,183,242</u>
Total net assets	<u>\$1,932,752</u>	<u>\$3,659,839</u>	<u>\$5,592,591</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2007

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>GOVERNMENTAL</b>				
<b>ACTIVITIES:</b>				
General government	\$ 218,940	\$ 22,584	\$ -0-	\$ 6,467
Public Safety	201,895	27,408	-0-	4,838
Public works	72,610	2,196	-0-	-0-
Community and economic development	<u>1,620</u>	<u>3,600</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>495,065</u>	<u>55,788</u>	<u>-0-</u>	<u>11,305</u>
<b>BUSINESS-TYPE</b>				
<b>ACTIVITIES:</b>				
Sewer	<u>164,604</u>	<u>454</u>	<u>-0-</u>	<u>109,227</u>
Total business-type activities	<u>164,604</u>	<u>454</u>	<u>-0-</u>	<u>109,227</u>
 Total governmental and business-type activities	 <u>\$ 659,669</u>	 <u>\$ 56,242</u>	 <u>\$ -0-</u>	 <u>\$ 120,532</u>

GENERAL REVENUES:

Property taxes  
State-shared revenues  
Investment earnings  
Cable franchise fees  
Gain on sale of assets  
Miscellaneous  
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING  
OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$ 189,889)	\$ -0-	(\$ 189,889)
(169,649)	-0-	(169,649)
(70,414)	-0-	(70,414)
<u>1,980</u>	<u>-0-</u>	<u>1,980</u>
<u>(427,972)</u>	<u>-0-</u>	<u>(427,972)</u>
<u>-0-</u>	<u>(54,923)</u>	<u>(54,923)</u>
<u>-0-</u>	<u>(54,923)</u>	<u>(54,923)</u>
<u>(427,972)</u>	<u>(54,923)</u>	<u>(482,895)</u>
185,062	-0-	185,062
233,311	-0-	233,311
47,567	44,924	92,491
2,710	-0-	2,710
3,999	-0-	3,999
<u>32</u>	<u>-0-</u>	<u>32</u>
<u>472,681</u>	<u>44,924</u>	<u>517,605</u>
44,709	(9,999)	34,710
<u>1,888,043</u>	<u>3,669,838</u>	<u>5,557,881</u>
<u>\$1,932,752</u>	<u>\$3,659,839</u>	<u>\$5,592,591</u>

HANOVER TOWNSHIP  
 BALANCE SHEET -  
 GOVERNMENTAL FUNDS  
 March 31, 2007

	General Fund	Fire Fund	Public Improvement Fund	Building Department Fund	Other Non-Major Governmental Fund - Cemetery Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 970,141	\$ 161,973	\$ 112,442	\$ 2,665	\$ 30,626	\$1,277,847
Receivables:						
Taxes	8,454	9,089	-0-	-0-	-0-	17,543
Other	2,710	-0-	-0-	-0-	-0-	2,710
Due from other governmental units	37,617	-0-	-0-	-0-	-0-	37,617
Due from other funds	5,192	-0-	-0-	-0-	-0-	5,192
Prepaid expenses	<u>6,606</u>	<u>1,811</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,417</u>
Total assets	<u>\$1,030,720</u>	<u>\$ 172,873</u>	<u>\$ 112,442</u>	<u>\$ 2,665</u>	<u>\$ 30,626</u>	<u>\$1,349,326</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ 2,004	\$ 1,050	\$ -0-	\$ -0-	\$ -0-	\$ 3,054
Accrued liabilities	7,760	10,590	-0-	1,500	-0-	19,850
Due to other funds	<u>-0-</u>	<u>568</u>	<u>-0-</u>	<u>4,624</u>	<u>-0-</u>	<u>5,192</u>
Total liabilities	<u>9,764</u>	<u>12,208</u>	<u>-0-</u>	<u>6,124</u>	<u>-0-</u>	<u>28,096</u>
Fund balances:						
Reserved for:						
Public improvement	-0-	-0-	112,442	-0-	-0-	112,442
Perpetual care	-0-	-0-	-0-	-0-	26,000	26,000
Unreserved, reported in:						
Major Funds	1,020,956	160,665	-0-	(3,459)	-0-	1,178,162
Non-major Cemetery fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,626</u>	<u>4,626</u>
Total fund balances	<u>1,020,956</u>	<u>160,665</u>	<u>112,442</u>	<u>(3,459)</u>	<u>30,626</u>	<u>1,321,230</u>
Total liabilities and fund balances	<u>\$1,030,720</u>	<u>\$ 172,873</u>	<u>\$ 112,442</u>	<u>\$ 2,665</u>	<u>\$ 30,626</u>	<u>\$1,349,326</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
March 31, 2007

Fund balances - total Governmental funds	\$1,321,230
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>611,522</u>
Net assets of governmental activities	<u>\$1,932,752</u>

See accompanying notes to financial statements.

**HANOVER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2007**

	General Fund	Fire Fund	Public Improvement Fund	Building Department Fund	Other Non-Major Governmental Fund - Cemetery Fund	Total Governmental Funds
<b>REVENUES:</b>						
Taxes and penalties	\$ 95,802	\$ 96,258	\$ -0-	\$ -0-	\$ -0-	\$ 192,060
Licenses and permits	7,246	-0-	-0-	27,210	-0-	34,456
State sources	236,712	-0-	-0-	-0-	-0-	236,712
Contributions from local units	-0-	-0-	2,500	-0-	-0-	2,500
Contributions from others	-0-	2,338	-0-	-0-	-0-	2,338
Charges for services	15,186	160	-0-	-0-	-0-	15,346
Interest	34,661	4,287	7,488	-0-	1,130	47,566
Other revenues	<u>4,727</u>	<u>4,069</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,796</u>
Total revenues	<u>394,334</u>	<u>107,112</u>	<u>9,988</u>	<u>27,210</u>	<u>1,130</u>	<u>539,774</u>
<b>EXPENDITURES:</b>						
Current:						
General government	209,438	-0-	-0-	-0-	-0-	209,438
Public safety	96	96,440	-0-	33,082	-0-	129,618
Public works	72,610	-0-	-0-	-0-	-0-	72,610
Community and economic development	1,620	-0-	-0-	-0-	-0-	1,620
Capital outlay	<u>6,467</u>	<u>-0-</u>	<u>120,979</u>	<u>-0-</u>	<u>-0-</u>	<u>127,446</u>
Total expenditures	<u>290,231</u>	<u>96,440</u>	<u>120,979</u>	<u>33,082</u>	<u>-0-</u>	<u>540,732</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>104,103</u>	<u>10,672</u>	<u>(110,991)</u>	<u>(5,872)</u>	<u>1,130</u>	<u>(958)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in (out)	<u>(78,192)</u>	<u>-0-</u>	<u>78,192</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(78,192)</u>	<u>-0-</u>	<u>78,192</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	25,911	10,672	(32,799)	(5,872)	1,130	(958)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>995,045</u>	<u>149,993</u>	<u>145,241</u>	<u>2,413</u>	<u>29,496</u>	<u>1,322,188</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$1,020,956</u>	<u>\$ 160,665</u>	<u>\$ 112,442</u>	<u>(\$ 3,459)</u>	<u>\$ 30,626</u>	<u>\$1,321,230</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
March 31, 2007

Net change in fund balance - total Governmental funds	(\$ 958)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	127,446
Depreciation on capital assets reported as part of governmental activities	<u>(81,779)</u>
Changes in net assets of governmental activities	<u>\$ 44,709</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 STATEMENT OF NET ASSETS -  
 PROPRIETARY FUND  
 March 31, 2007

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
<u>ASSETS:</u>	
Cash and investments	\$ 5
Receivables:	
Special assessments - current	163,373
Due from other governmental units	379,792
Deposit - County	<u>32,473</u>
Total current assets	<u>575,643</u>
Investment in joint venture	454
Special assessments - net of current portion	1,907,255
Capital assets	<u>3,816,587</u>
Total noncurrent assets	<u>5,724,296</u>
Total assets	<u>\$6,299,939</u>
<u>LIABILITIES:</u>	
Current portion of long-term debt	\$ <u>194,125</u>
Total current liabilities	<u>194,125</u>
Long-term debt - net of current portion	<u>2,445,975</u>
Total long-term debt	<u>2,445,975</u>
Total liabilities	<u>2,640,100</u>
<u>NET ASSETS:</u>	
Invested in capital assets - net of related debt	1,208,960
Restricted for debt service	2,450,425
Unrestricted	<u>454</u>
Total net assets	<u>3,659,839</u>
Total liabilities and net assets	<u>\$6,299,939</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN NET ASSETS -  
 PROPRIETARY FUND  
 March 31, 2007

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
OPERATING REVENUES:	
Increase in investment in joint venture	\$ <u>454</u>
Total operating revenues	<u>454</u>
OPERATING EXPENSES:	
Depreciation	<u>45,053</u>
Total operating expenses	<u>45,053</u>
OPERATING INCOME (LOSS)	<u>(44,599)</u>
NON-OPERATING REVENUES (EXPENSES):	
Connection fees	7,240
Interest and penalties on connection fees	101,987
Interest income	44,924
Interest expense	(94,526)
Refunds	<u>(25,025)</u>
Total non-operating revenues (expenses) - net	<u>34,600</u>
NET INCOME (LOSS)	(9,999)
NET ASSETS, BEGINNING OF YEAR	<u>3,669,838</u>
NET ASSETS, END OF YEAR	<u>\$3,659,839</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 March 31, 2007

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Connection fees	\$ 228,006
Interest and penalties on connection fees	101,987
Deposits to joint venture	<u>(658,179)</u>
Net cash provided (used) by capital and related financing activities	<u>(328,186)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>19</u>
Net cash provided (used) by investing activities	<u>19</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(328,167)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>328,172</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>5</u></u>

There was no cash provided by operating activities, since all operating activities are accounted for through the Round/Farwell Lake Sewer Common fund.

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
STATEMENT OF ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
March 31, 2007

ASSETS:

Cash and cash equivalents	\$ <u>7,415</u>
Total assets	\$ <u><u>7,415</u></u>

LIABILITIES:

Due to others	\$ <u>7,415</u>
Total liabilities	\$ <u><u>7,415</u></u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Hanover Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Jointly Governed Organizations

The Township, along with Liberty Township, created a joint venture to operate and maintain the sanitary sewer system for certain residents of these Townships. The Round/Farwell Lake Sewer Common Fund was created for this purpose. The Township's equity interest in the amount of \$454 is recorded in the proprietary fund and the business-type activities on the government-wide financial statements. Complete financial statements of the Round/Farwell Lake Sewer Common Fund can be obtained from the Township's office.

Government-wide and Fund Financial Statements

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

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

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

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Special assessments will be collected after the period of availability and receivables have been recorded for these. All other revenue items are considered to be available only when cash is received by the Township.

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

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for all the activities of the Township's Fire Department. It also accounts for the use of property taxes received under a specially voted millage.

Public Improvement Fund - The Public Improvement Fund is used to account for revenues and expenditures for public improvements.

Building Fund - The Building Fund is used to account for revenues and expenditures for building construction enforcement.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges for those requesting sewer service.

Additionally, the Township reports the following fund types:

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The sewer fund also recognizes the portion of connection fees intended to recover current costs (e.g., labor and materials to hookup new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property Tax Revenue

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

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$111,416,500 on which ad valorem taxes levied consisted of .7890 mills for operating purposes and .8571 for fire operations. This resulted in \$87,966 for operating and \$95,657 for fire operations. These amounts are recognized in the General Fund and Fire Fund, respectively.

Assets, Liabilities, and Net Assets or Fund Balance

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Fund Balance (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Sewer system	50 years
Buildings and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years
Vehicles	10 years

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

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

Use of Estimates

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

HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Operating transfers out	\$ 41,255	\$ 78,192	(\$ 36,937)

3. DEPOSITS AND INVESTMENTS

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

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

At year end, the Township's cash was reported in the basic financial statements under the heading of cash and cash equivalents in the amount of \$1,277,852.

HANOVER TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2007

3. DEPOSITS AND INVESTMENTS (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. The bank balance of the Township's deposits is \$1,304,295, of which \$523,829 is covered by Federal depository insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 568
	Building Fund	<u>4,624</u>
	Total	<u>\$ 5,192</u>

Interfund transfers reported in the fund financial statements for the year ended March 31, 2007, are as follows:

	<u>Transfers (out)</u>
	<u>General Fund</u>
Transfers in:	
Public Improvement Fund	<u>\$ 78,192</u>

The interfund transfer from the General Fund to the Public Improvement Fund is to set aside funds for future capital purchases or improvements.

5. DEFICIT FUND BALANCE

A deficit fund balance of \$3,459 exists in the special revenue building department fund. Fees for permits are not sufficient to cover the fund's expenditures. Subsequent to March 31, 2007, the Township Board approved closing the building department fund and accounting for the activity in the general fund.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

6. CAPITAL ASSETS

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

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 22,156	\$ -0-	\$ -0-	\$ 22,156
Construction in progress	<u>112,020</u>	<u>-0-</u>	<u>112,020</u>	<u>-0-</u>
Total capital assets not being depreciated	<u>134,176</u>	<u>-0-</u>	<u>112,020</u>	<u>22,156</u>
Capital assets being depreciated:				
Buildings and improvements	269,334	-0-	-0-	269,334
Furniture and equipment	420,841	6,467	-0-	427,308
Vehicles	<u>465,621</u>	<u>232,999</u>	<u>20,000</u>	<u>678,620</u>
Total capital assets being depreciated	<u>1,155,796</u>	<u>239,466</u>	<u>20,000</u>	<u>1,375,262</u>
Less: accumulated depreciation:				
Buildings and improvements	52,421	6,508	-0-	58,929
Furniture and equipment	303,150	27,238	-0-	330,388
Vehicles	<u>368,546</u>	<u>48,033</u>	<u>20,000</u>	<u>396,579</u>
Total accumulated depreciation	<u>724,117</u>	<u>81,779</u>	<u>20,000</u>	<u>785,896</u>
Total capital assets being depreciated - net	<u>431,679</u>	<u>157,687</u>	<u>-0-</u>	<u>589,366</u>
Total capital assets - net	<u>\$ 565,855</u>	<u>\$ 157,687</u>	<u>\$ 112,020</u>	<u>\$ 611,522</u>

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

6. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2007</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ <u>2,300,069</u>	\$ <u>-0-</u>	\$ <u>2,300,069</u>	\$ <u>-0-</u>
Total capital assets not being depreciated	<u>2,300,069</u>	<u>-0-</u>	<u>2,300,069</u>	<u>-0-</u>
Capital assets being depreciated:				
Sewer Fund	<u>-0-</u>	<u>3,861,640</u>	<u>-0-</u>	<u>3,861,640</u>
Total capital assets being depreciated	<u>-0-</u>	<u>3,861,640</u>	<u>-0-</u>	<u>3,861,640</u>
Less: accumulated depreciation:				
Sewer lines	<u>-0-</u>	<u>45,053</u>	<u>-0-</u>	<u>45,053</u>
Total accumulated depreciation	<u>-0-</u>	<u>45,053</u>	<u>-0-</u>	<u>45,053</u>
Total capital assets being depreciated - net	<u>-0-</u>	<u>3,816,587</u>	<u>-0-</u>	<u>3,816,587</u>
Total capital assets - net	<u>\$2,300,069</u>	<u>\$3,816,587</u>	<u>\$2,300,069</u>	<u>\$3,816,587</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 9,502
Public Safety	<u>72,277</u>
Total governmental activities	<u>\$ 81,779</u>
Business-type activities:	
Sewer fund	\$ <u>45,053</u>
Total business-type activities	<u>\$ 45,053</u>

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

7. LONG-TERM DEBT

Capital Lease - Business-type Activities

The Township and Liberty Township entered into a contractual agreement with Jackson County to finance a sanitary sewer disposal system that will benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time debt service payment is due, the Township's are obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Based upon the initial project cost estimates, the Township is responsible for 77.65% (\$3,028,350) of the construction bonds issued by Jackson County. The Township entered into a capital lease with Jackson County to cover the Township's portion of the County's debt service requirement on the underlying bonds. The accumulated depreciation as of March 31, 2007, was \$45,053, and the amortization is included with depreciation.

The following is a schedule by years of the Township's share of future minimum payments required under the lease together with its present value as of March 31, 2007:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2008	\$ 47,682
2009	286,577
2010	261,632
2011	256,391
2012	250,931
2013 - 2017	1,164,895
2018 - 2022	995,861
2023	<u>178,207</u>
Total minimum lease payments	3,442,176
Less: amount representing interest	<u>802,076</u>
Present value of minimum lease payments	<u>\$2,640,100</u>

Long-term obligation activity can be summarized as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
Business-type activities:					
Capital lease obligation	\$3,028,350	\$ -0-	(\$ 388,250)	\$2,640,100	\$ 194,125
Total business-type activities	<u>\$3,028,350</u>	<u>\$ -0-</u>	<u>(\$ 388,250)</u>	<u>\$2,640,100</u>	<u>\$ 194,125</u>

Total interest paid for the fiscal year ending March 31, 2007 was \$148,119.

HANOVER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

8. OPERATING LEASE

The Township leases office space. The lease is recorded as an operating lease. Total lease expense for the year ended March 31, 2007, is \$6,000.

The following is a schedule of future minimum rental payments required under the above operating lease as of March 31, 2007:

<u>YEARS</u>	<u>AMOUNT</u>
2008	\$ <u>1,500</u>

9. RISK MANAGEMENT

Hanover Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

10. COMMITMENTS AND CONTINGENCIES

On February 2, 2005, Jackson County issued \$3,900,000 of bonds to finance the construction of the Round/Farwell Lakes Sewer Project. Both Liberty and Hanover Township's have pledged their full faith and credit for the bond payments.

REQUIRED SUPPLEMENTAL INFORMATION

HANOVER TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<b>REVENUES:</b>				
Taxes and penalties	\$ 93,482	\$ 93,482	\$ 95,802	\$ 2,320
Licenses and permits	7,350	7,350	7,246	(104)
State sources	239,511	239,511	236,712	(2,799)
Charges for services	9,000	9,000	15,186	6,186
Interest	27,500	27,500	34,661	7,161
Other revenues	<u>2,222</u>	<u>2,222</u>	<u>4,727</u>	<u>2,505</u>
Total revenues	<u>379,065</u>	<u>379,065</u>	<u>394,334</u>	<u>15,269</u>
<b>EXPENDITURES:</b>				
Current:				
Township Board	9,000	9,000	5,589	3,411
Supervisor	8,000	8,050	8,000	50
Elections	6,000	5,500	4,784	716
Assessor	30,000	30,000	29,556	444
Attorney	3,000	3,000	2,702	298
Clerk	45,000	45,000	36,477	8,523
Land Division Board	3,000	2,600	960	1,640
Board of Review	1,500	1,500	659	841
Treasurer	25,600	25,600	23,582	2,018
Accounting	15,000	14,900	13,685	1,215
Township Hall and grounds	6,000	12,045	11,925	120
Cemetery	35,000	29,805	24,941	4,864
Public Safety	20,000	110	90	20
Sanitation	10,000	10,000	9,157	843
Zoning	2,400	1,900	938	962
Planning	1,200	1,200	630	570
Payroll taxes	19,000	19,000	6,861	12,139
Highways, streets and bridges	58,000	59,300	59,243	57
Street lights	5,000	5,000	4,209	791
Insurance	40,000	40,400	39,776	624
Other	21,365	-0-	-0-	-0-
Capital outlay	<u>15,000</u>	<u>13,900</u>	<u>6,467</u>	<u>7,433</u>
Total expenditures	<u>379,065</u>	<u>337,810</u>	<u>290,231</u>	<u>47,579</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-0-</u>	<u>41,255</u>	<u>104,103</u>	<u>62,848</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	<u>-0-</u>	<u>(41,255)</u>	<u>(78,192)</u>	<u>(36,937)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(41,255)</u>	<u>(78,192)</u>	<u>(36,937)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-0-	-0-	25,911	25,911
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>995,045</u>	<u>995,045</u>	<u>995,045</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 995,045</u>	<u>\$ 995,045</u>	<u>\$1,020,956</u>	<u>\$ 25,911</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - FIRE FUND  
 Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 94,121	\$ 94,121	\$ 96,258	\$ 2,137
Contributions from others	100	2,248	2,338	90
Charges for services	50	50	160	110
Interest	1,200	1,200	4,287	3,087
Other	<u>770</u>	<u>770</u>	<u>4,069</u>	<u>3,299</u>
Total revenues	<u>96,241</u>	<u>98,389</u>	<u>107,112</u>	<u>8,723</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	<u>96,241</u>	<u>98,389</u>	<u>96,440</u>	<u>1,949</u>
Total expenditures	<u>96,241</u>	<u>98,389</u>	<u>96,440</u>	<u>1,949</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-0-	-0-	10,672	10,672
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>149,993</u>	<u>149,993</u>	<u>149,993</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 149,993</u>	<u>\$ 149,993</u>	<u>\$ 160,665</u>	<u>\$ 10,672</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - PUBLIC IMPROVEMENT FUND  
 Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Interest	\$ 500	\$ 500	\$ 7,488	\$ 6,988
Contributions from local units	<u>-0-</u>	<u>-0-</u>	<u>2,500</u>	<u>2,500</u>
Total revenues	<u>500</u>	<u>500</u>	<u>9,988</u>	<u>9,488</u>
EXPENDITURES:				
Capital outlay	<u>130,000</u>	<u>130,000</u>	<u>120,979</u>	<u>9,021</u>
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>120,979</u>	<u>9,021</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(129,500)</u>	<u>(129,500)</u>	<u>(110,991)</u>	<u>18,509</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>17,217</u>	<u>17,217</u>	<u>78,192</u>	<u>60,975</u>
Total other financing sources (uses)	<u>17,217</u>	<u>17,217</u>	<u>78,192</u>	<u>60,975</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(112,283)	(112,283)	(32,799)	79,484
FUND BALANCE - BEGINNING OF YEAR	<u>114,300</u>	<u>114,300</u>	<u>145,241</u>	<u>30,941</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,017</u>	<u>\$ 2,017</u>	<u>\$ 112,442</u>	<u>\$ 110,425</u>

See accompanying notes to financial statements.

HANOVER TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUILDING DEPARTMENT FUND  
 Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES:				
Licenses and permits	\$ <u>36,000</u>	\$ <u>36,000</u>	\$ <u>27,210</u>	(\$ <u>8,790</u> )
Total revenues	<u>36,000</u>	<u>36,000</u>	<u>27,210</u>	<u>(8,790)</u>
EXPENDITURES:				
Public Safety	<u>36,000</u>	<u>36,000</u>	<u>33,082</u>	<u>2,918</u>
Total expenditures	<u>36,000</u>	<u>36,000</u>	<u>33,082</u>	<u>2,918</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(5,872)	(5,872)
FUND BALANCE - BEGINNING OF YEAR	<u>6,405</u>	<u>2,413</u>	<u>2,413</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u><u>6,405</u></u>	\$ <u><u>2,413</u></u>	(\$ <u><u>3,459</u></u> )	(\$ <u><u>5,872</u></u> )

See accompanying notes to financial statements.

# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.

August 27, 2007

Township Board  
Hanover Township  
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of Hanover Township for the year ended March 31, 2007, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 27, 2007, on the financial statements of Hanover Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate members of management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Payroll

During the audit we noted that the Fire Chief provides the Clerk with the gross pay for the fire-fighters, without providing the hours worked or rate of pay used to calculate pay. We suggest that the Fire Chief provide the hours worked by fire-fighter and the rate of pay, so that the Clerk can recalculate and verify the gross pay requested by the Fire Chief.

Weed Control Special Assessments

The Township was requested to collect special assessments on certain properties in the Township for lake weed control. The amount collected has exceeded the amounts spent for several years. We suggest contacting the group that requested the special assessment and notify them of annual activity, so they can make a decision of how to spend the accumulated balance or decrease the special assessment.

Hanover Township  
August 27, 2007  
Page 2

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

We appreciate the opportunity to serve you.

Respectfully yours,

*Dove + Hickey, P.C.C.*