

### 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>WATERLOO TOWNSHIP</b>	County <b>JACKSON</b>
Fiscal Year End <b>6/30/2007</b>	Opinion Date <b>12/17/2007</b>	Date Audit Report Submitted to State <b>12/18/2007</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.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<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, P.L.C.</b>		Telephone Number <b>(517)796-8880</b>
Street Address <b>209 E. WASHINGTON AVE., SUITE 255</b>		City <b>JACKSON</b>
		State <b>MI</b>
		Zip <b>49201</b>
Authorizing CPA Signature 	Printed Name <b>GEORGE DOVE</b>	License Number <b>1101011397</b>

WATERLOO TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2007

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# 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.

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Waterloo Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund information of Waterloo Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterloo 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 and each major fund information of Waterloo Township as of June 30, 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 budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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. Waterloo Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterloo 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.

  
December 17, 2007

WATERLOO TOWNSHIP  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 Year Ended June 30, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and investments	\$207,487
Receivables	3,000
Due from other governments	66,208
Prepaid expenses	13,332
Capital assets - net	<u>92,027</u>
Total assets	<u>382,054</u>
<u>LIABILITIES</u>	
Accounts payable	11,569
Accrued liabilities	<u>6,857</u>
Total liabilities	<u>18,426</u>
<u>NET ASSETS</u>	
Invested in capital assets	92,027
Unrestricted	<u>271,601</u>
Total net assets	<u>\$363,628</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General government	\$171,213	\$ 38,406	\$ -0-	\$ 6,792	(\$126,015)
Public Safety	281,212	74,399	4,394	-0-	(202,419)
Community and economic development	10,485	9,262	-0-	-0-	(1,223)
Public works	<u>48,561</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(48,561)</u>
Total governmental activities	<u>\$511,471</u>	<u>\$122,067</u>	<u>\$ 4,394</u>	<u>\$ 6,792</u>	<u>(378,218)</u>
<b>GENERAL REVENUES:</b>					
					147,034
					1,826
					205,948
					(4,771)
					<u>7,005</u>
Total general revenues					<u>357,042</u>
<b>CHANGES IN NET ASSETS</b>					(21,176)
<b>NET ASSETS - BEGINNING OF YEAR</b>					<u>384,804</u>
<b>NET ASSETS - END OF YEAR</b>					<u>\$363,628</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENTAL FUNDS -  
BALANCE SHEET  
June 30, 2007

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and investments	\$207,487	\$ -0-	\$207,487
Receivables	3,000	-0-	3,000
Due from other governments	66,208	-0-	66,208
Prepaid expenses	<u>13,332</u>	<u>-0-</u>	<u>13,332</u>
Total assets	<u>\$290,027</u>	<u>\$ -0-</u>	<u>\$290,027</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 11,569	\$ -0-	\$ 11,569
Accrued liabilities	<u>6,857</u>	<u>-0-</u>	<u>6,857</u>
Total liabilities	<u>18,426</u>	<u>-0-</u>	<u>18,426</u>
Fund Balances:			
Unreserved/undesignated	<u>271,601</u>	<u>-0-</u>	<u>271,601</u>
Total fund balances	<u>271,601</u>	<u>-0-</u>	<u>271,601</u>
Total liabilities and fund balances	<u>\$290,027</u>	<u>\$ -0-</u>	<u>\$290,027</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
June 30, 2007

Fund balances - total Governmental funds	\$271,601
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 therefore are not reported in the fund	<u>92,027</u>
Net assets of governmental activities	<u>\$363,628</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>			
Property taxes	\$130,578	\$ 49,351	\$179,929
Licenses and permits	39,021	-0-	39,021
Federal sources	1,826	-0-	1,826
State sources	212,740	1,394	214,134
Charges for services	1,377	40,222	41,599
Fines and forfeitures	-0-	5,522	5,522
Interest	7,005	-0-	7,005
Contributions	-0-	3,000	3,000
Other	<u>3,029</u>	<u>10,341</u>	<u>13,370</u>
Total revenues	<u>395,576</u>	<u>109,830</u>	<u>505,406</u>
<b>EXPENDITURES:</b>			
Current:			
General government	167,584	-0-	167,584
Public Safety	179,742	109,830	289,572
Community and economic development	10,236	-0-	10,236
Public works	48,561	-0-	48,561
Other	<u>17,636</u>	<u>-0-</u>	<u>17,636</u>
Total expenditures	<u>423,759</u>	<u>109,830</u>	<u>533,589</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(28,183)	-0-	(28,183)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>299,784</u>	<u>-0-</u>	<u>299,784</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$271,601</u>	<u>\$ -0-</u>	<u>\$271,601</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net change in fund balances - total governmental funds	(\$ 28,183)
Amount 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.	36,475
Depreciation on capital assets reported as part of governmental activities.	(14,357)
Proceeds from sale of capital assets are reported as revenue in the governmental funds; in the statement of activities the loss on sale of capital assets is reported.	<u>(15,111)</u>
Changes in net assets of governmental activities	(\$ <u>21,176</u> )

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
FIDUCIARY FUND -  
STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2007

ASSETS

Cash and investments	\$ <u>71,513</u>
Total assets	<u>71,513</u>

LIABILITIES AND  
FUND BALANCE

Liabilities:	
Performance bond	\$ <u>71,513</u>
Total liabilities	<u>71,513</u>
Fund Balance	<u>-0-</u>
Total liabilities and fund balance	\$ <u>71,513</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Waterloo 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.

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, 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.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 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. 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. 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, expenditures relating to compensated absences, 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 of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes and State-shared revenue.

Public Safety Fund - The Public Safety Fund accounts for the use of property taxes received under a specially voted millage.

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in an agency capacity.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 31 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 June 30, 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 \$103,398,850 on which ad valorem taxes levied consisted of .8487 mills for operating purposes and .4273 for police services. This resulted in \$87,716 for operating and \$43,725 for police services. These amounts are recognized in the General Fund and Public Safety Fund, respectively.

Assets, Liabilities, and Net Assets or Equity

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

Receivables - Receivables in governmental activities are all primarily due from other governments. No allowance for doubtful accounts is provided for.

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 \$1,000 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.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities, and Net Assets or Equity (Continued)

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

Buildings	50 years
Furnishings, vehicles, and equipment	5 to 15 years

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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and 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 June 30. The Township Board must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

WATERLOO TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 June 30, 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:			
Township Board	\$ 29,625	\$ 31,213	(\$ 1,588)

Construction Code Fees

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

Cumulative shortfall at June 30, 2006	(\$ 27,942)
Current year building permit revenue	28,655
Related expenses:	
Direct costs	<u>32,183</u>
Cumulative shortfall at June 30, 2007	(\$ <u>31,470</u> )

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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.

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 government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the government's deposits is \$215,994, of which \$100,000 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.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

4. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,153</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,153</u>
Capital assets being depreciated:				
Buildings and improvements	120,838	-0-	-0-	120,838
Furnishings, vehicles, and equipment	<u>127,586</u>	<u>36,475</u>	<u>46,528</u>	<u>117,533</u>
Total capital assets being depreciated	<u>248,424</u>	<u>36,475</u>	<u>46,528</u>	<u>238,371</u>
Less: accumulated depreciation:				
Buildings and improvements	73,184	2,761	-0-	75,945
Furnishings, vehicles, and equipment	<u>93,373</u>	<u>11,596</u>	<u>31,417</u>	<u>73,552</u>
Total accumulated depreciation	<u>166,557</u>	<u>14,357</u>	<u>31,417</u>	<u>149,497</u>
Total capital assets being depreciated - net	<u>81,867</u>	<u>22,118</u>	<u>15,111</u>	<u>88,874</u>
Total capital assets - net	\$ <u>85,020</u>	\$ <u>22,118</u>	\$ <u>15,111</u>	\$ <u>92,027</u>

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

Governmental activities:	
General government	\$ 7,904
Public Safety	<u>6,453</u>
Total governmental activities	\$ <u>14,357</u>

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL INFORMATION**

WATERLOO TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Property taxes	\$122,000	\$122,000	\$130,578	\$ 8,578
Licenses and permits	63,000	63,000	39,021	(23,979)
Federal sources	-0-	-0-	1,826	1,826
State sources	210,000	216,792	212,740	(4,052)
Charges for services	3,600	3,600	1,377	(2,223)
Interest	1,000	1,000	7,005	6,005
Miscellaneous	3,500	3,500	3,029	(471)
Total revenues	<u>403,100</u>	<u>409,892</u>	<u>395,576</u>	<u>(14,316)</u>
EXPENDITURES:				
Current:				
General Government:				
Township Board	21,500	29,625	31,213	(1,588)
Supervisor	14,665	15,125	14,889	236
Elections	6,000	13,751	13,355	396
Assessor	24,000	25,885	25,824	61
Clerk	24,080	22,485	22,074	411
Attorney	11,500	6,500	5,874	626
Board of Review	2,300	2,050	1,835	215
Board of Appeals	2,200	2,100	1,836	264
Treasurer	23,730	23,115	22,401	714
Township hall	112,300	105,115	24,611	80,504
Cemetery	5,000	5,000	3,672	1,328
Total general government	<u>247,275</u>	<u>250,751</u>	<u>167,584</u>	<u>83,167</u>
Public Safety:				
Police	126,950	133,298	114,847	18,451
Fire and rescue	85,000	85,000	32,712	52,288
Building Authority	52,675	52,895	32,183	20,712
Total public safety	<u>264,625</u>	<u>271,193</u>	<u>179,742</u>	<u>91,451</u>
Public Works:				
Highways, streets and bridges	45,000	45,000	43,473	1,527
Extraction	3,600	3,600	674	2,926
Street lights	4,000	5,130	4,414	716
Total public works	<u>52,600</u>	<u>53,730</u>	<u>48,561</u>	<u>5,169</u>
Community and economic Development:				
Planning	9,950	8,550	6,029	2,521
Land splits	1,600	900	325	575
Zoning	7,875	5,593	3,882	1,711
Total community and economic development	<u>19,425</u>	<u>15,043</u>	<u>10,236</u>	<u>4,807</u>
Other:				
Insurance	13,800	13,800	9,731	4,069
Social Security	8,000	8,000	7,905	95
Total other	<u>21,800</u>	<u>21,800</u>	<u>17,636</u>	<u>4,164</u>
Total expenditures	<u>605,725</u>	<u>612,517</u>	<u>423,759</u>	<u>188,758</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(202,625)	(202,625)	(28,183)	174,442
FUND BALANCE - BEGINNING OF YEAR	299,784	299,784	299,784	-0-
FUND BALANCE - END OF YEAR	<u>\$ 97,159</u>	<u>\$ 97,159</u>	<u>\$271,601</u>	<u>\$174,442</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE -  
 PUBLIC SAFETY FUND  
 Year Ended June 30, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 87,500	\$ 87,500	\$ 49,351	(\$ 38,149)
State sources	1,200	1,200	1,394	194
Charges for services	36,000	36,000	40,222	4,222
Fines and forfeitures	12,000	12,000	5,522	(6,478)
Contributions	-0-	-0-	3,000	3,000
Other	<u>-0-</u>	<u>-0-</u>	<u>10,341</u>	<u>10,341</u>
Total revenues	<u>136,700</u>	<u>136,700</u>	<u>109,830</u>	<u>(26,870)</u>
EXPENDITURES:				
Current:				
Public Safety:				
Police	<u>109,900</u>	<u>109,900</u>	<u>109,830</u>	<u>70</u>
Total expenditures	<u>109,900</u>	<u>109,900</u>	<u>109,830</u>	<u>70</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,800	26,800	-0-	(26,800)
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>26,800</u>	\$ <u>26,800</u>	\$ <u>-0-</u>	(\$ <u>26,800</u> )

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

WATERLOO TOWNSHIP  
 OTHER SUPPLEMENTAL INFORMATION  
 COMBINING STATEMENT OF NET ASSETS -  
 FIDUCIARY FUNDS  
 June 30, 2007

	Agency Funds		Total Agency Funds
	Current Tax Collection	Trust and Agency	
 <u>ASSETS</u>			
Cash and cash equivalents	\$ <u>43,734</u>	\$ <u>27,779</u>	\$ <u>71,513</u>
Total assets	\$ <u>43,734</u>	\$ <u>27,779</u>	\$ <u>71,513</u>
 <u>LIABILITIES</u>			
Due to other Governmental units	\$ 43,734	\$ -0-	\$ 43,734
Due to others	<u>-0-</u>	<u>27,779</u>	<u>27,779</u>
Total liabilities	\$ <u>43,734</u>	\$ <u>27,779</u>	\$ <u>71,513</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.

December 17, 2007

Township Board  
Waterloo Township  
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Waterloo Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Waterloo 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 governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

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

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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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. We believe that the following deficiencies constitute material weaknesses:

Journal Entries:

Management is responsible for designing and implementing of the financial reporting system to record, process, and report significant transactions. Journal entries were required during audit to ensure financial statement presentation was in conformity with generally accepted accounting principles. These entries included accruals and reclassifications. Township staff does not possess the expertise to make accrual adjustments.

We recommend management carefully review audit entries, become alerted to the classification issues, as not to repeat them in subsequent years. It has been past practice for the auditors to make these accrual adjustments and we bring this to management's attention since it meets the above definition of a matter to be communicated.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

We also noted other accounting matters that we would like to communicate to you.

Budgets:

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of the amount appropriated in one activity. The Township should amend its budget before this occurs.

Cash Reconciliations:

Even though the Treasurer is preparing timely bank reconciliations, the Treasurer and Clerk are not meeting on a timely basis to reconcile the general ledger balances. We suggest that the Treasurer and Clerk reconcile the cash balances at least monthly, so that financial reports are more accurate.

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

Respectively yours,

*Dove & Hickey P.C.*