

TOWNSHIP OF BOWNE  
Kent County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Bowne	<b>County</b> Kent
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> April 20, 2007	<b>Date Accountant Report Submitted to State:</b> June 29, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes  no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes  no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes  no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes  no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes  no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes  no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes  no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes  no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes  no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; CO., P.C.</i>			

TOWNSHIP OF BOWNE  
Kent County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 20, 2007

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Bowne, Kent County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bowne's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The Management's Discussion and Analysis and budgetary comparison information listed 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 inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Bowne covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$3,710,444.78 for governmental activities and \$717,239.20 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$767,137.22 from governmental activities and \$137,636.67 from business-type activities. Governmental activities had a \$217,839.04 increase in net assets. Business-type activities had a decrease in net assets of \$125,519.16.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Downtown Development Fund, Capital Improvement Fund, Sewer Fund, Agency Fund and the Current Tax Collection Fund.

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Downtown Development Fund and the Capital Improvement Fund.

**Business-Type Funds:** The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has 23 years left for the upgrade expansion of the sewer system.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$311,900.31. The Sewer Fund incurred \$39,008.41 in depreciation expense and \$209,441.31 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$10,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-868-6846 or at the Bowne Township Office, 8240 Alden Nash SE., P.O. Box 35, Alto, Michigan 49302-0035.

TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	1 962 274 49	242 029 04	2 204 303 53
Taxes receivable	21 257 14	-	21 257 14
Due from other units	10 583 30	-	10 583 30
Total Current Assets	1 994 114 93	242 029 04	2 236 143 97
<b>NON-CURRENT ASSETS:</b>			
Capital Assets	2 234 466 00	1 170 252 21	3 404 718 21
Less: Accumulated Depreciation	(508 136 15)	(135 042 05)	(643 178 20)
Total Non-current Assets	1 726 329 85	1 035 210 16	2 761 540 01
<b>TOTAL ASSETS</b>	<b>3 720 444 78</b>	<b>1 277 239 20</b>	<b>4 997 683 98</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	10 000 00	-	10 000 00
Total Current Liabilities	10 000 00	-	10 000 00
<b>NON-CURRENT LIABILITIES:</b>			
Bonds payable	-	560 000 00	560 000 00
Total Non-current Liabilities	-	560 000 00	560 000 00
Total Liabilities	10 000 00	560 000 00	570 000 00
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	1 726 329 85	475 210 16	2 201 540 01
Unrestricted	1 984 114 93	242 029 04	2 226 143 97
Total Net Assets	3 710 444 78	717 239 20	4 427 683 98
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3 720 444 78</b>	<b>1 277 239 20</b>	<b>4 997 683 98</b>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities:</b>			
Legislative	5 506 59	-	(5 506 59)
General government	265 031 86	75 051 52	(189 980 34)
Public safety	200 192 57	66 234 62	(133 957 95)
Public works	70 463 16	5 472 00	(64 991 16)
Recreation and culture	8 104 00	-	(8 104 00)
<b>Total Governmental Activities</b>	<u>549 298 18</u>	<u>146 758 14</u>	<u>(402 540 04)</u>
<b>Business-Type Activities:</b>			
Sewer	275 003 48	137 636 67	-
<b>Total Business-Type Activities</b>	<u>275 003 48</u>	<u>137 636 67</u>	-
<b>Total Government</b>	<u>824 301 66</u>	<u>284 394 81</u>	<u>(402 540 04)</u>
<b>General Revenues:</b>			
Property taxes			327 621 41
State revenue sharing			187 157 00
Interest			58 122 46
Miscellaneous			47 478 21
<b>Total General Revenues</b>			<u>620 379 08</u>
Change in net assets			217 839 04
Net assets, beginning of year			<u>3 492 605 74</u>
<b>Net Assets, End of Year</b>			<u>3 710 444 78</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(5 506 59)
-	(189 980 34)
-	(133 957 95)
-	(64 991 16)
-	(8 104 00)
<u>-</u>	<u>(402 540 04)</u>
<u>(137 366 81)</u>	<u>(137 366 81)</u>
<u>(137 366 81)</u>	<u>(137 366 81)</u>
<u>(137 366 81)</u>	<u>(539 906 85)</u>
-	327 621 41
-	187 157 00
11 847 65	69 970 11
<u>-</u>	<u>47 478 21</u>
<u>11 847 65</u>	<u>632 226 73</u>
(125 519 16)	92 319 88
<u>842 758 36</u>	<u>4 335 364 10</u>
<u>717 239 20</u>	<u>4 427 683 98</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
March 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
<b><u>Assets</u></b>				
Cash in bank	862 939 21	642 756 01	366 503 07	85 794 18
Taxes receivable	8 434 93	12 822 21	-	-
Due from other funds	6 782 02	-	-	-
Due from other units	-	10 583 30	-	-
<b>Total Assets</b>	<b><u>878 156 16</u></b>	<b><u>666 161 52</u></b>	<b><u>366 503 07</u></b>	<b><u>85 794 18</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities:</b>				
Accounts payable	10 000 00	-	-	-
Due to other funds	-	2 500 00	-	-
<b>Total liabilities</b>	<b><u>10 000 00</u></b>	<b><u>2 500 00</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund equity:</b>				
<b>    Fund balances:</b>				
<b>        Unreserved:</b>				
Undesignated	868 156 16	663 661 52	366 503 07	85 794 18
<b>Total fund equity</b>	<b><u>868 156 16</u></b>	<b><u>663 661 52</u></b>	<b><u>366 503 07</u></b>	<b><u>85 794 18</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>878 156 16</u></b>	<b><u>666 161 52</u></b>	<b><u>366 503 07</u></b>	<b><u>85 794 18</u></b>

The accompanying notes are an integral part of these financial statements.

Total

1 957 992 47  
21 257 14  
6 782 02  
10 583 30

1 996 614 93

10 000 00  
2 500 00  
12 500 00

1 984 114 93  
1 984 114 93

1 996 614 93

TOWNSHIP OF BOWNE  
Kent County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 984 114 93
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 governmental funds balance sheet:	
Capital assets at cost	2 234 466 00
Accumulated depreciation	<u>(508 136 15)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>3 710 444 78</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	General	Fire Operating	Downtown Development	Other Funds
Revenues:				
Property taxes	90 270 49	173 245 61	64 105 31	-
Licenses and permits	28 959 72	-	-	-
State revenue sharing	187 157 00	-	-	-
Charges for services:				
Fire runs	-	66 234 62	-	-
Tax collection	40 255 77	-	-	-
Other	5 836 03	-	-	-
Interest	31 187 35	18 743 23	5 775 76	2 416 12
Rent	-	-	5 472 00	-
Miscellaneous	8 077 71	240 00	39 160 50	-
<b>Total revenues</b>	<b>391 744 07</b>	<b>258 463 46</b>	<b>114 513 57</b>	<b>2 416 12</b>
Expenditures:				
Legislative:				
Township Board	5 506 59	-	-	-
General government:				
Supervisor	19 966 93	-	-	-
Elections	6 106 75	-	-	-
Assessor	21 500 00	-	-	-
Professional services	60 227 87	-	-	-
Clerk	26 525 48	-	-	-
Board of Review	600 00	-	-	-
Treasurer	24 361 32	-	-	-
Building and grounds	48 708 92	-	-	-
Cemetery	12 693 83	-	-	-
Unallocated	36 778 26	-	-	-
Public safety:				
Fire protection	-	118 067 07	-	-
Protective inspection	29 559 75	-	-	-
Planning Commission	2 055 00	-	-	-
Public works:				
Highways and streets	10 725 53	-	-	-
Street lighting	2 480 08	-	-	-
Downtown development	-	-	55 192 55	-
Culture and recreation:				
Library	4 104 00	-	-	-
<b>Total expenditures</b>	<b>311 900 31</b>	<b>118 067 07</b>	<b>55 192 55</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	79 843 76	140 396 39	59 321 02	2 416 12
Fund balances, April 1	788 312 40	523 265 13	307 182 05	83 378 06
Fund Balances, March 31	868 156 16	663 661 52	366 503 07	85 794 18

The accompanying notes are an integral part of these financial statements.

Total

327 621 41  
28 959 72  
187 157 00

66 234 62  
40 255 77  
5 836 03  
58 122 46  
5 472 00  
47 478 21

767 137 22

5 506 59

19 966 93  
6 106 75  
21 500 00  
60 227 87  
26 525 48  
600 00  
24 361 32  
48 708 92  
12 693 83  
36 778 26

118 067 07  
29 559 75  
2 055 00

10 725 53  
2 480 08  
55 192 55

4 104 00

485 159 93

281 977 29

1 702 137 64

1 984 114 93

TOWNSHIP OF BOWNE  
Kent County, Michigan

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

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	281 977 29
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	
Depreciation Expense	(64 138 25)
Capital Outlay	<u>-</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>217 839 04</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
March 31, 2007

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>242 029 04</u>
Total Current Assets	<u>242 029 04</u>
NON-CURRENT ASSETS:	
Capital Assets	1 170 252 21
Less: Accumulated Depreciation	<u>(135 042 05)</u>
Total Non-current Assets	<u>1 035 210 16</u>
TOTAL ASSETS	<u><u>1 277 239 20</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
NON-CURRENT LIABILITIES:	
Bonds payable	<u>560 000 00</u>
Total Liabilities	<u>560 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	475 210 16
Unrestricted	<u>242 029 04</u>
Total Net Assets	<u>717 239 20</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 277 239 20</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2007

	<u>Total (Sewer)</u>
OPERATING REVENUES:	
Charges for services	<u>137 636 67</u>
Total Operating Revenues	<u>137 636 67</u>
OPERATING EXPENSES:	
Contracted services	189 554 20
Utilities	17 937 11
Miscellaneous	<u>1 950 00</u>
Total Operating Expenses	<u>209 441 31</u>
Operating Income (loss) before depreciation	(71 804 64)
Less: depreciation	<u>(39 008 41)</u>
Operating income (loss)	<u>(110 813 05)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	11 847 65
Interest expense	<u>(26 553 76)</u>
Total Non-operating Expenses	<u>(14 706 11)</u>
Change in net assets	(125 519 16)
Net assets, beginning of year	<u>842 758 36</u>
Net Assets, End of Year	<u><u>717 239 20</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended March 31, 2007

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	137 636 67
Cash payments to suppliers for goods and services	<u>(209 441 31)</u>
Net cash provided (used) by operating activities	<u>(71 804 64)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(10 000 00)
Interest paid on bonds	<u>(26 553 76)</u>
Net cash provided (used) by capital and related financing activities	<u>(36 553 76)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>11 847 65</u>
Net cash provided (used) by investing activities	<u>11 847 65</u>
Net increase (decrease) in cash	(96 510 75)
Cash beginning of year	<u>338 539 79</u>
Cash End of Year	<u><u>242 029 04</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	(110 813 05)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>39 008 41</u>
Net Cash Provided (Used) in Operating Activities	<u><u>(71 804 64)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bowne, Kent County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bowne. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Improvement Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

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

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14. The 2006 tax roll millage rate was 2.58 mills, and the taxable value was \$94,533,231.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 3 – Deposits and Investments (continued)

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	2 204 303 53

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	321 699 70
Uninsured and Uncollateralized	1 884 220 79
Total Deposits	2 205 920 49

The Township of Bowne did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	133 071 80	-	-	133 071 80
Buildings	1 052 573 80	-	-	1 052 573 80
Equipment	1 048 820 40	-	-	1 048 820 40
Total	2 234 466 00	-	-	2 234 466 00
Accumulated Depreciation	(443 997 90)	(64 138 25)	-	(508 136 15)
Net Governmental Capital Assets	1 790 468 10	(64 138 25)	-	1 726 329 85
<u>Business-Type Activities:</u>				
Sewer Systems	1 790 468 10	-	-	1 170 252 21
Accumulated Depreciation	(96 033 64)	(39 008 41)	-	(135 042 05)
Net Business-Type Capital Assets	1 074 218 57	(39 008 41)	-	1 035 210 16

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2007, was \$14,721.06.

Note 7 – Bonds Payable

On July 1, 2002, the Township issued a \$600,000.00 in bonds to finance a sewer system upgrade. As of March 31, 2007, the principal balance outstanding was \$560,000.00 and it is recorded in the Sewer Fund.

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11-1-07	15 000 00	3.125
11-1-08	15 000 00	3.375
11-1-09	15 000 00	3.600
11-1-10	15 000 00	4.000
11-1-11	15 000 00	4.000
11-1-12	15 000 00	4.000
11-1-13	15 000 00	4.125
11-1-14	15 000 00	4.300
11-1-15	20 000 00	4.500
11-1-16	20 000 00	4.500
11-1-17	20 000 00	4.625
11-1-18	20 000 00	4.750
11-1-19	20 000 00	5.000
11-1-20	20 000 00	5.000
11-1-21	25 000 00	5.000
11-1-22	25 000 00	5.000
11-1-23	25 000 00	5.000
11-1-24	35 000 00	5.000
11-1-25	35 000 00	5.000
11-1-26	40 000 00	5.000
11-1-27	40 000 00	5.000
11-1-28	45 000 00	5.000
11-1-29	<u>50 000 00</u>	5.000
Total	<u>560 000 00</u>	

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
Sewer Bonds	<u>570 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>560 000 00</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$21,737.60 and building permit expenses of \$29,559.75.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	4 282 02	Current Tax Collection	4 282 02
General	<u>2 500 00</u>	Fire	<u>2 500 00</u>
Total	<u>6 782 02</u>	Total	<u>6 782 02</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	110 000 00	110 000 00	90 270 49	(19 729 51)
Licenses and permits	30 000 00	30 000 00	28 959 72	(1 040 28)
State revenue sharing	185 000 00	185 000 00	187 157 00	2 157 00
Charges for services:				
Tax collection	35 000 00	35 000 00	40 255 77	5 255 77
Other	-	-	5 836 03	5 836 03
Interest	9 500 00	9 500 00	31 187 35	21 687 35
Miscellaneous	<u>3 500 00</u>	<u>3 500 00</u>	<u>8 077 71</u>	<u>4 577 71</u>
Total revenues	<u>373 000 00</u>	<u>373 000 00</u>	<u>391 744 07</u>	<u>18 744 07</u>
Expenditures:				
Legislative:				
Township Board	20 000 00	20 000 00	5 506 59	(14 493 44)
General government:				
Supervisor	19 966 93	19 966 93	19 966 93	-
Elections	10 000 00	10 000 00	6 106 75	(3 893 25)
Assessor	21 500 00	21 500 00	21 500 00	-
Professional services	116 000 00	116 000 00	60 227 87	(55 772 13)
Clerk	26 525 48	26 525 48	26 525 48	-
Board of Review	1 000 00	1 000 00	600 00	(400 00)
Treasurer	24 361 32	24 361 32	24 361 32	-
Building and grounds	75 000 00	75 000 00	48 708 92	(26 291 08)
Cemetery	20 000 00	20 000 00	12 693 83	(7 306 17)
Unallocated	45 500 00	45 500 00	36 778 26	(8 721 74)
Public safety:				
Protective inspection	30 000 00	30 000 00	29 559 75	(440 25)
Planning Commission	3 000 00	3 000 00	2 055 00	(945 00)
Public works:				
Highways and streets	200 000 00	200 000 00	10 725 53	(189 274 47)
Street lighting	3 000 00	3 000 00	2 480 08	(519 92)
Culture and recreation:				
Library	10 000 00	10 000 00	4 104 00	(5 896 00)
Capital outlay	<u>100 000 00</u>	<u>100 000 00</u>	<u>-</u>	<u>(100 000 00)</u>
Total expenditures	<u>725 853 73</u>	<u>725 853 73</u>	<u>311 900 31</u>	<u>(413 953 42)</u>
Excess (deficiency) of revenues over expenditures	(352 853 73)	(352 853 73)	79 843 76	432 697 49
Fund balance, April 1	<u>393 908 79</u>	<u>393 908 79</u>	<u>788 312 40</u>	<u>394 403 61</u>
Fund Balance, March 31	<u><u>41 055 06</u></u>	<u><u>41 055 06</u></u>	<u><u>868 156 16</u></u>	<u><u>827 101 10</u></u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	150 000 00	150 000 00	173 245 61	23 245 61
Charges for services	35 000 00	35 000 00	66 234 62	31 234 62
Interest	4 500 00	4 500 00	18 743 23	14 243 23
Miscellaneous	<u>3 000 00</u>	<u>3 000 00</u>	<u>240 00</u>	<u>(2 760 00)</u>
Total revenues	<u>192 500 00</u>	<u>192 500 00</u>	<u>258 463 46</u>	<u>65 963 46</u>
Expenditures:				
Public safety:				
Fire protection	<u>259 000 00</u>	<u>259 000 00</u>	<u>118 067 07</u>	<u>(140 932 93)</u>
Total expenditures	<u>259 000 00</u>	<u>259 000 00</u>	<u>118 067 07</u>	<u>(140 932 93)</u>
Excess (deficiency) of revenues over expenditures	(66 500 00)	(66 500 00)	140 396 39	206 896 39
Fund balance, April 1	<u>282 749 00</u>	<u>282 749 00</u>	<u>523 265 13</u>	<u>240 516 13</u>
Fund Balance, March 31	<u><u>216 249 00</u></u>	<u><u>216 249 00</u></u>	<u><u>663 661 52</u></u>	<u><u>447 412 52</u></u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	48 450 00	48 450 00	64 105 31	15 655 31
Interest	-	-	5 775 76	5 775 76
Rent	-	-	5 472 00	5 472 00
Miscellaneous	-	-	39 160 50	39 160 50
Total revenues	<u>48 450 00</u>	<u>48 450 00</u>	<u>114 513 57</u>	<u>66 063 57</u>
Expenditures:				
Public works:				
Downtown development	<u>329 404 00</u>	<u>329 404 00</u>	<u>55 192 55</u>	<u>(274 211 45)</u>
Total expenditures	<u>329 404 00</u>	<u>329 404 00</u>	<u>55 192 55</u>	<u>(274 211 45)</u>
Excess (deficiency) of revenues over expenditures	(280 954 00)	(280 954 00)	59 321 02	340 275 02
Fund balance, April 1	<u>363 305 00</u>	<u>363 305 00</u>	<u>307 182 05</u>	<u>(56 122 95)</u>
Fund Balance, March 31	<u>82 351 00</u>	<u>82 351 00</u>	<u>366 503 07</u>	<u>284 152 07</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	32 714 66	3 275 629 67	3 304 062 31	4 282 02
<u>Liabilities</u>				
Due to other funds	30 985 44	319 827 21	346 530 63	4 282 02
Due to others	1 729 22	2 955 802 46	2 957 531 68	-
Total Liabilities	32 714 66	3 275 629 67	3 304 062 31	4 282 02
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	-	49 009 87	49 009 87	-
<u>Liabilities</u>				
Due to others	-	49 009 87	49 009 87	-
Total Liabilities	-	49 009 87	49 009 87	-
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	32 714 66	3 324 639 54	3 353 072 18	4 282 02
<u>Liabilities</u>				
Due to other funds	30 985 44	319 827 21	346 530 63	4 282 02
Due to others	1 729 22	3 004 812 33	3 006 541 55	-
Total Liabilities	32 714 66	3 324 639 54	3 353 072 18	4 282 02

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 20, 2007

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the financial statements of the Township of Bowne for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bowne in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bowne  
Kent County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants