

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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	



**Township of Hamburg
Livingston County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2007**

Township of Hamburg

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Independent Auditor's Report

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg (the "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 the Township of Hamburg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamburg Township Library (the "Library"), which is the Township's only discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamburg Township Library, is based on the report of the other auditors.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg 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 management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hamburg's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 19, 2007

Township of Hamburg

Management's Discussion and Analysis

Our discussion and analysis of the Township of Hamburg's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- State-shared revenue, our largest revenue source, continued to decline. The Township received \$29,000 less in 2007 than in 2006 and, since 2002, has seen reductions of over \$200,000 per year, or a drop of approximately 13 percent annually. The Township reacted by cutting back department budgets and spending in order to minimize the negative impact on the General Fund's fund balance.
- Total net assets related to the Township's governmental activities were approximately \$13,492,000, an overall increase from the prior year of approximately \$1.1 million or 8.5 percent.

Using this Annual Report

This annual report consists of four parts - the management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first statements are the statement of net assets and the statement of activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The second statements are the fund financial statements, which present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets at June 30, 2007 and 2006 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 5,650	\$ 5,454	\$ 9,552	\$ 9,883	\$ 15,202	\$ 15,337
Noncurrent assets	12,961	11,809	40,294	40,847	53,255	52,656
Total assets	18,611	17,263	49,846	50,730	68,457	67,993
Liabilities						
Current liabilities	1,565	1,303	2,128	2,175	3,693	3,478
Long-term liabilities	3,554	3,519	18,676	19,717	22,230	23,236
Total liabilities	5,119	4,822	20,804	21,892	25,923	26,714
Net Assets						
Invested in capital assets -						
Net of related debt	5,643	4,549	10,392	8,904	16,035	13,453
Restricted	1,896	1,409	7,440	8,312	9,336	9,721
Unrestricted	5,953	6,483	11,210	11,622	17,163	18,105
Total net assets	<u>\$ 13,492</u>	<u>\$ 12,441</u>	<u>\$ 29,042</u>	<u>\$ 28,838</u>	<u>\$ 42,534</u>	<u>\$ 41,279</u>

The Township's combined net assets increased by slightly more than 3 percent from a year ago - increasing to approximately \$42,534,000. The governmental activities comprise approximately \$13,492,000, up from \$12,441,000, while the business-type activities, the Sewer Fund and Water System Fund, make up approximately \$29,042,000, an increase of almost 1 percent from a year ago.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - are approximately \$5,953,000 for the governmental activities. Unrestricted net assets for the business-type activities are approximately \$11,210,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during 2007 and 2006 (in thousands of dollars):

	Governmental		Business-type		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 1,031	\$ 838	\$ 1,242	\$ 1,292	\$ 2,273	\$ 2,130
Operating grants and contributions	365	17	112	341	477	358
Capital grants and contributions	354	451	476	562	830	1,013
General revenue:						
Property taxes	3,212	3,004	-	-	3,212	3,004
State-shared revenue	1,379	1,408	-	-	1,379	1,408
Unrestricted investment earnings	675	140	1,060	939	1,735	1,079
Franchise fees	207	191	-	-	207	191
Transfers	(270)	-	270	-	-	-
Gain on sale of capital asset	21	7	-	-	21	7
Total revenue	6,974	6,056	3,160	3,134	10,134	9,190
Program Expenses						
General government	1,724	1,624	-	-	1,724	1,624
Public safety	3,023	2,773	-	-	3,023	2,773
Public works	624	400	-	-	624	400
Recreation and culture	290	281	-	-	290	281
Interest on long-term debt	262	238	-	-	262	238
Water and sewer	-	-	2,956	2,843	2,956	2,843
Total program expenses	5,923	5,316	2,956	2,843	8,879	8,159
Change in Net Assets	\$ 1,051	\$ 740	\$ 204	\$ 291	\$ 1,255	\$ 1,031

Governmental Activities

The Township's total governmental revenues totaled \$6.975 million, with state revenue sharing representing \$1.379 million or 20 percent. Although the State has acted to stabilize levels of revenue sharing for 2008, the State's ongoing financial difficulties will continue to be a concern during the upcoming year.

Expenses for the fiscal year were approximately \$5,924,000. Increases in health care costs, legal costs, property insurance rates, and legal liability insurance premiums continued to create a budget challenge. To offset this, the Township closely monitored its spending in all other areas, resulting in a net increase in net assets of approximately \$1,051,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Sewer Fund and the Water System Fund. We provide sewage treatment through a Township owned and operated sewage treatment plant, as well as through the use of a plant owned and operated by a neighboring community. The Township anticipates building Phase I of its municipal water delivery service in 2007, using a Special Assessment District to arrange the financing. The water district will include mostly businesses and perhaps a few residential properties.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006-2007 include the General Fund, the Police Special Revenue Fund, the Fire Special Revenue Fund, the Capital Improvement Building Debt Service Fund, and the Tamarack Lake Sewer Debt Service Fund.

The General Fund pays for most of the Township's governmental services. The most significant is police, which depended on the General Fund for \$656,221 for the year ended June 30, 2007. Both the police and fire services are also supported by a police and fire millage, which is recorded in the Police Special Revenue Fund and the Fire Special Revenue Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. However, no significant changes to the budget were made.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the Township had \$38,672,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and sewer lines. In addition, the Township has approximately \$3,001,000 and \$1,934,000 invested in the Portage - Base Lakes Water and Sewer Authority and the Livingston Community Water Authority, respectively.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year will need to be watched very closely once again, especially relating to the General Fund. This needs to be done since revenue sharing is a very big concern for the Township. The State of Michigan is experiencing significant budgeting problems, and as it looks for solutions, revenue sharing continues to be under attack. However, to the extent there is continued growth in the community, the increase in property tax revenues will assist the Township's budget.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (810) 231-1000.

Township of Hamburg

Statement of Net Assets June 30, 2007

	Primary Government			Component Unit - Library
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 4,348,772	\$ 1,062	\$ 4,349,834	\$ 1,532,654
Cash restricted for capital (Note 11)	-	7,440,438	7,440,438	-
Receivables:				
Customers and other	41,335	439,310	480,645	11,948
Special assessments	805,420	-	805,420	-
Internal balances	147,830	(147,830)	-	-
Due from other governmental units	233,364	-	233,364	8,185
Inventories	-	390,498	390,498	-
Other assets	72,914	46,310	119,224	11,281
Restricted assets (Note 2)	-	1,102,924	1,102,924	-
Assets restricted for capital and debt (Note 11):				
Current	-	1,382,627	1,382,627	-
Noncurrent	-	8,546,079	8,546,079	-
Investment in joint venture (Note 9)	3,001,042	1,933,919	4,934,961	-
Capital assets - Net (Note 5):				
Nondepreciated	1,546,085	2,505,305	4,051,390	-
Depreciated	8,414,674	26,205,683	34,620,357	89,358
Total assets	18,611,436	49,846,325	68,457,761	1,653,426
Liabilities				
Accounts payable	195,640	490,614	686,254	6,627
Accrued and other liabilities	193,337	485,251	678,588	7,120
Noncurrent liabilities (Note 6):				
Due within one year	1,177,246	1,151,655	2,328,901	-
Due in more than one year	3,553,538	18,676,481	22,230,019	20,256
Total liabilities	5,119,761	20,804,001	25,923,762	34,003
Net Assets				
Invested in capital assets - Net of related debt	5,642,667	10,392,189	16,034,856	89,358
Restricted:				
Police and fire	193,883	-	193,883	-
Debt service	1,212,840	-	1,212,840	-
Capital projects	415,527	7,440,438	7,855,965	-
Cemetery expenditures	73,781	-	73,781	-
Unrestricted	5,952,977	11,209,697	17,162,674	1,530,065
Total net assets	<u>\$ 13,491,675</u>	<u>\$ 29,042,324</u>	<u>\$ 42,533,999</u>	<u>\$ 1,619,423</u>

Township of Hamburg

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,724,478	\$ 669,028	\$ 18,020	\$ -
Public safety	3,023,304	69,703	100,760	354,039
Public works	624,139	273,364	-	-
Recreation and culture	289,613	19,385	246,250	-
Interest on long-term debt	262,263	-	-	-
Total governmental activities	5,923,797	1,031,480	365,030	354,039
Business-type activity - Water and Sewer	2,955,660	1,242,181	112,144	475,509
Total primary government	<u>\$ 8,879,457</u>	<u>\$ 2,273,661</u>	<u>\$ 477,174</u>	<u>\$ 829,548</u>
Component unit - Library	<u>\$ 564,109</u>	<u>\$ 18,071</u>	<u>\$ 87,624</u>	<u>\$ 31,375</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Special item - Gain on sale of capital assets				
Total general revenues, transfers, and special item				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit - Library
Governmental Activities	Business-type Activities	Total	
\$ (1,037,430)	\$ -	\$ (1,037,430)	\$ -
(2,498,802)	-	(2,498,802)	-
(350,775)	-	(350,775)	-
(23,978)	-	(23,978)	-
(262,263)	-	(262,263)	-
(4,173,248)	-	(4,173,248)	-
-	(1,125,826)	(1,125,826)	-
(4,173,248)	(1,125,826)	(5,299,074)	-
-	-	-	(427,039)
3,212,111	-	3,212,111	437,577
1,378,938	-	1,378,938	16,370
675,453	1,059,608	1,735,061	70,919
206,927	-	206,927	-
(270,368)	270,368	-	-
21,265	-	21,265	-
5,224,326	1,329,976	6,554,302	524,866
1,051,078	204,150	1,255,228	97,827
12,440,597	28,838,174	41,278,771	1,521,596
\$ 13,491,675	\$ 29,042,324	\$ 42,533,999	\$ 1,619,423

Township of Hamburg

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 2)	\$ 2,147,785	\$ 6,068	\$ 531,873	\$ 86,559	\$ 144,416	\$ 1,432,071	\$ 4,348,772
Accounts receivable:							
Customers and other	23,679	-	17,656	-	-	-	41,335
Special assessments	-	-	-	-	-	805,420	805,420
Due from other governmental units	233,364	-	-	-	-	-	233,364
Due from other funds (Note 4)	19,920	-	-	-	-	-	19,920
Advances to other funds (Note 4)	432,847	-	-	-	-	-	432,847
Other assets	13,309	44,864	14,741	-	-	-	72,914
Total assets	\$ 2,870,904	\$ 50,932	\$ 564,270	\$ 86,559	\$ 144,416	\$ 2,237,491	\$ 5,954,572
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 68,179	\$ 33,323	\$ 34,301	\$ -	\$ 54,298	\$ 5,539	\$ 195,640
Due to other funds (Note 4)	288,738	-	-	-	-	16,199	304,937
Accrued and other liabilities	78,960	17,570	23,631	-	-	-	120,161
Deferred revenue (Note 3)	-	-	-	-	-	805,420	805,420
Total liabilities	435,877	50,893	57,932	-	54,298	827,158	1,426,158
Fund Balances							
Reserved in Permanent Fund - Cemetery							
Perpetual Care - Future cemetery expenditures	-	-	-	-	-	55,166	55,166
Reserved for long-term receivable	432,847	-	-	-	-	-	432,847
Unreserved, reported in:							
General Fund:							
Designated for recreation plan	14,000	-	-	-	-	-	14,000
Undesignated	1,988,180	-	-	-	-	-	1,988,180
Special Revenue Funds -							
Undesignated	-	39	506,338	-	-	526,988	1,033,365
Debt Service Funds	-	-	-	86,559	-	412,652	499,211
Capital Project Funds	-	-	-	-	90,118	415,527	505,645
Total fund balances	2,435,027	39	506,338	86,559	90,118	1,410,333	4,528,414
Total liabilities and fund balances	\$ 2,870,904	\$ 50,932	\$ 564,270	\$ 86,559	\$ 144,416	\$ 2,237,491	\$ 5,954,572

Township of Hamburg

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended June 30, 2007

Total Fund Balances of Governmental Activities	\$ 4,528,414
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	9,960,759
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	805,420
Investment in joint venture is not a financial resource and is not reported in the funds	3,001,042
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds	(4,730,784)
Interest amounts on long-term liabilities are not payable until due in the funds	<u>(73,176)</u>
Net Assets of Governmental Activities	<u>\$ 13,491,675</u>

Township of Hamburg

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 840,022	\$ 917,992	\$ 878,062	\$ 473,830	\$ -	\$ 102,205	\$ 3,212,111
Special assessments	-	-	-	-	-	273,364	273,364
Licenses and permits	231,332	-	-	-	-	-	231,332
State sources	1,391,665	-	-	-	246,250	1,517	1,639,432
Federal sources	-	-	84,243	-	-	-	84,243
Charges for services	637,287	24,528	-	-	-	2,196	664,011
Fines and forfeitures	-	26,279	-	-	-	354,039	380,318
Interest and other	181,702	26,684	31,269	3,806	7,499	71,730	322,690
Proceeds from sale of capital assets	-	21,265	-	-	-	-	21,265
Total revenue	3,282,008	1,016,748	993,574	477,636	253,749	805,051	6,828,766
Expenditures							
Legislative	100,065	-	-	-	-	-	100,065
General government	1,546,823	-	-	-	-	-	1,546,823
Public safety	281,022	1,938,137	767,402	-	-	13,894	3,000,455
Public works	231,944	-	-	-	-	39,300	271,244
Health and welfare	76,803	-	-	-	-	-	76,803
Recreation and culture	42,750	-	-	-	-	-	42,750
Debt service	-	-	-	977,555	-	182,356	1,159,911
Capital outlay	-	-	-	-	1,440,548	287,642	1,728,190
Total expenditures	2,279,407	1,938,137	767,402	977,555	1,440,548	523,192	7,926,241
Excess of Revenue Over (Under)							
Expenditures	1,002,601	(921,389)	226,172	(499,919)	(1,186,799)	281,859	(1,097,475)
Other Financing Sources (Uses)							
Proceeds from long-term debt issue	250,000	-	224,294	-	-	611,165	1,085,459
Transfers in (Note 4)	2,020	1,116,995	186,253	493,654	1,138,190	19,265	2,956,377
Transfers out (Note 4)	(1,681,657)	(196,473)	(880,506)	-	-	(468,109)	(3,226,745)
Total other financing sources (uses)	(1,429,637)	920,522	(469,959)	493,654	1,138,190	162,321	815,091
Net Change in Fund Balances	(427,036)	(867)	(243,787)	(6,265)	(48,609)	444,180	(282,384)
Fund Balances - Beginning of year	2,862,063	906	750,125	92,824	138,727	966,153	4,810,798
Fund Balances - End of year	\$ 2,435,027	\$ 39	\$ 506,338	\$ 86,559	\$ 90,118	\$ 1,410,333	\$ 4,528,414

Township of Hamburg

Governmental Funds Reconciliation of the Statement of Revenue, 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 \$ (282,384)

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:

Capital outlay	1,879,229
Depreciation expense	(657,048)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end 416,788

Equity interest in joint venture is not reported in governmental funds (68,587)

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 956,759

Proceeds from issuance of long-term debt are reported as financing sources on the statement of activities (1,085,459)

Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (78,271)

Accrued interest payable is recorded when due in governmental funds (29,949)

Change in Net Assets of Governmental Activities **\$ 1,051,078**

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Net Assets June 30, 2007

	Sewer Fund	Water System Fund	Total
Assets			
Current assets:			
Cash and investments (Note 2)	\$ -	\$ 1,062	\$ 1,062
Cash restricted for capital (Note 11)	7,440,438	-	7,440,438
Customers and other	439,310	-	439,310
Due from other funds (Note 4)	14,649	270,368	285,017
Inventories	390,498	-	390,498
Current portion of assets restricted for capital and debt (Note 11)	1,382,627	-	1,382,627
Other assets	46,310	-	46,310
Total current assets	9,713,832	271,430	9,985,262
Noncurrent assets:			
Restricted assets (Note 2)	1,102,924	-	1,102,924
Assets restricted for capital and debt - Net of current portion (Note 11)	8,546,079	-	8,546,079
Investment in joint venture (Note 9)	-	1,933,919	1,933,919
Capital assets - Net (Note 5):			
Nondepreciated	1,869,529	635,776	2,505,305
Depreciated	26,205,683	-	26,205,683
Total noncurrent assets	37,724,215	2,569,695	40,293,910
Total assets	47,438,047	2,841,125	50,279,172
Liabilities			
Current liabilities:			
Accounts payable	217,684	272,930	490,614
Accrued and other liabilities	461,815	23,436	485,251
Current portion of long-term debt (Note 6)	1,126,655	25,000	1,151,655
Total current liabilities	1,806,154	321,366	2,127,520
Noncurrent Liabilities			
Advances from other funds (Note 4)	-	432,847	432,847
Long-term debt - Net of current portion (Note 6)	16,751,481	1,925,000	18,676,481
Total noncurrent liabilities	16,751,481	2,357,847	19,109,328
Total liabilities	18,557,635	2,679,213	21,236,848
Net Assets			
Investment in capital assets - Net of related debt	10,204,279	187,910	10,392,189
Restricted for capital projects	7,440,438	-	7,440,438
Unrestricted	11,235,695	(25,998)	11,209,697
Total net assets	\$ 28,880,412	\$ 161,912	\$ 29,042,324

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Sewer Fund	Water System Fund	Total
Operating Revenue			
Sewage disposal charges	\$ 815,356	\$ -	\$ 815,356
Debt service charges and other	426,825	-	426,825
State sources	112,144	-	112,144
Total operating revenue	1,354,325	-	1,354,325
Operating Expenses			
Operation and maintenance	1,295,582	-	1,295,582
Depreciation	669,327	-	669,327
Total operating expenses	1,964,909	-	1,964,909
Operating Loss	(610,584)	-	(610,584)
Nonoperating Revenue (Expense)			
Investment income	1,059,567	41	1,059,608
Interest expense	(882,254)	(108,497)	(990,751)
Total nonoperating revenue (expense)	177,313	(108,456)	68,857
Loss - Before contributions	(433,271)	(108,456)	(541,727)
Capital Contributions	475,509	-	475,509
Transfer from Other Funds	-	270,368	270,368
Change in Net Assets	42,238	161,912	204,150
Net Assets - Beginning of year	28,838,174	-	28,838,174
Net Assets - End of year	<u>\$ 28,880,412</u>	<u>\$ 161,912</u>	<u>\$ 29,042,324</u>

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended June 30, 2007

	Sewer Fund	Water System Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 730,821	\$ -	\$ 730,821
Payments to suppliers	(596,350)	-	(596,350)
Payments to employees	(445,119)	-	(445,119)
Other receipts	538,969	-	538,969
Interfund activity related to operating activities	(541,270)	-	(541,270)
Net cash used in operating activities	(312,949)	-	(312,949)
Cash Flows from Capital and Related Financing Activities			
Principal and interest paid on long-term debt	(2,114,808)	(110,061)	(2,224,869)
Purchase of capital assets	(1,148,484)	(320,225)	(1,468,709)
Collection from developers for the construction of new sewer lines	348,649	-	348,649
Connection fees	126,860	-	126,860
Collection of principal and interest on customer assessments	1,502,438	-	1,502,438
Contribution for Water Treatment Plant	-	272,930	272,930
Interfund activity related to capital items	-	157,354	157,354
Net cash used in capital and related financing activities	(1,285,345)	(2)	(1,285,347)
Cash Flows from Investing Activities - Interest received on cash and cash equivalents	437,971	41	438,012
Net Increase (Decrease) in Cash and Cash Equivalents	(1,160,323)	39	(1,160,284)
Cash and Cash Equivalents - Beginning of year	9,703,685	1,023	9,704,708
Cash and Cash Equivalents - End of year	<u>\$ 8,543,362</u>	<u>\$ 1,062</u>	<u>\$ 8,544,424</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ -	\$ 1,062	\$ 1,062
Restricted cash and cash equivalents resulting from bond sale	1,102,924	-	1,102,924
Segregated bank deposits and investments for future capital investments	244,607	-	244,607
Segregated bank deposits and investments resulting from special assessments	7,195,831	-	7,195,831
Total cash and cash equivalents	<u>\$ 8,543,362</u>	<u>\$ 1,062</u>	<u>\$ 8,544,424</u>

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Cash Flows (Continued) Year Ended June 30, 2007

	Sewer Fund	Water System Fund	Total
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (610,584)	\$ -	\$ (610,584)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	669,327	-	669,327
Changes in assets and liabilities:			
Receivables	(84,535)	-	(84,535)
Accounts payable	80,735	-	80,735
Accrued and other liabilities	2,622	-	2,622
Due to other funds	(370,514)	-	(370,514)
Net cash used in operating activities	<u>\$ (312,949)</u>	<u>\$ -</u>	<u>\$ (312,949)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, developers constructed water and sewer lines with an estimated value of \$475,509 and donated them to the Township's Sewer Enterprise Fund.

Township of Hamburg

Fiduciary Fund - Agency Fund Statement of Fiduciary Assets and Liabilities June 30, 2007

Assets - Cash and investments (Note 2)	<u>\$ 124,825</u>
Liabilities	
Due to other governmental units	\$ 43,123
Other liabilities:	
Performance bonds	59,836
Other	<u>21,866</u>
 Total liabilities	 <u>\$ 124,825</u>

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Hamburg (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 the Township of Hamburg:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Hamburg and its component unit. The individual component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

The Hamburg Township Library (the "Library") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is accounted for separate from the Township. The Library was created to provide library services, including book loans, to Township residents. The Library's governing body, which consists of six individuals, is elected by Township residents. The Library itself is not a separately incorporated fiscal entity.

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 and its component unit. 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 the business-type activities, which relies to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

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, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and the major Enterprise Fund 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, as are the proprietary fund and fiduciary fund financial statements. 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, including state-shared revenue. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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.

Note I - Summary of Significant Accounting Policies (Continued)

The Township reports the following major governmental funds:

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.

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millages on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical services in the Township.

The Capital Improvement Building Debt Service Fund is a Debt Service Fund whose main source of revenue comes from a voter-approved millage and operating transfers from various Township funds.

The Capital Projects Fund receives its funding from incoming transfers from the General, Police, and Fire Funds. These transfers support capital projects in progress.

The Township reports the Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide sewer services to citizens, and is financed primarily by a user charge for the provision of those services.

The Township also reports the Water System Fund as a major proprietary fund. This fund accounts for the construction and results of operations that are associated with the development of a water system. The fund is currently financed through the issuance of debt, which will be ultimately paid by a user charge for the provision of water distribution services.

Additionally, the Township reports an Agency Fund. The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule relates to charges between the Township's sewer function and various other functions of the Township. Eliminations 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 in connection with proprietary funds' principal ongoing operations. The principal operating revenue of the proprietary Sewer Fund relates to charges to customers for sewer services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled approximately \$991 million. Property taxes are levied on each December 1 on the valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed and liens issued.

The Township's approximate property tax levy for the year ended June 30, 2007 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	0.8442	\$ 840,000
Police	0.9241	918,000
Fire	0.8839	878,000
Fire debt	<u>0.1030</u>	<u>-</u>
Total	<u>2.7552</u>	<u>\$ 2,636,000</u>

In addition, the component unit's taxable value is approximately \$991 million at a millage rate of 0.4770 mills, resulting in taxes levied of approximately \$473,000 for its operations.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventory - Inventory in the Enterprise Funds is valued at cost, on a first-in, first-out basis, which approximates market value.

Restricted Assets - Restricted assets in the Sewer Fund consist of cash and cash equivalents restricted for debt payments.

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 for non-computer related assets and \$500 for computer equipment. 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. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Buildings and improvements	10-50 years
Machinery and tools	5-10 years
Vehicles, boats, and related equipment	3-7 years
Office furnishings and equipment	3-10 years
Leasehold improvements	50 years

Business-type activities:

Utility system	10-50 years
Treatment plant	7-50 years
Equipment	3-25 years

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

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.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. 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 classifications, 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 that are legal for direct investment by local units of government in Michigan.

The Township has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above-mentioned investment vehicles.

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. At year end, the Township had \$11,473,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. 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.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the Township held its uninsured and unregistered investments in U.S. agency bonds and notes held by a counterparty with a carrying value of \$955,328.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the weighted average maturities of investments in U.S. agency bonds and notes with a carrying value of \$955,352 are 53.9 months.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of the securities held by the Township totaling approximately \$955,000 in U.S. agency bonds and notes are AAA.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments held by the Township with a 5 percent or more balance of total investments at year end.

Component Unit

As of June 30, 2007, the Library's book balance of its deposits and investments was \$1,532,329; the total book balance was \$1,532,654, due to \$325 in petty cash. The bank balance was \$1,533,671, of which \$1,427,026 was uninsured and uncollateralized.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Library's investment policy places no limit on the amount the Library may invest in any one issuer.

Note 3 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The proprietary fund reports deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, deferred revenue consists solely of special assessments in the governmental funds, which are unavailable as of June 30, 2007.

Note 4 - Interfund Receivables, Payables, Advances, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other nonmajor governmental funds	\$ 19,920
Sewer Fund	Other nonmajor governmental funds	14,649
Water Fund	General Fund	<u>270,368</u>
Total		<u>\$ 304,937</u>
Advances to/from Other Funds		
General Fund	Water System Fund	<u>\$ 432,847</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 4 - Interfund Receivables, Payables, Advances, and Transfers (Continued)

Interfund advances reported in the fund financial statements are related to the purchase of the water system assets and payment of the related debt. The advance is due from the Water System Fund to the General Fund, with payment due once the system generates revenues from the user charge for the provision of water services.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund (1) (2)	\$ 656,221
	Fire Fund (1)	186,253
	Capital Improvement Building Debt (3)	156,834
	Capital Projects Fund (1)	411,981
	Water Fund (1)	<u>270,368</u>
	Total General Fund	1,681,657
Fire Fund	Capital Improvement Building Debt (3)	154,612
	Capital Projects Fund (1)	<u>725,894</u>
	Total Fire Fund	880,506
Police Fund	Capital Improvement Building Debt (3)	182,208
	Other nonmajor governmental funds (1)	<u>14,265</u>
	Total Police Fund	196,473
Other nonmajor governmental funds	General Fund (2)	2,020
	Police Fund (2)	460,774
	Capital Projects Fund (1)	315
	Other nonmajor governmental funds (1)	<u>5,000</u>
	Total nonmajor governmental funds	<u>468,109</u>
	Total	<u>\$ 3,226,745</u>

- (1) Transfers for capital improvements
- (2) Transfers for general operations
- (3) Transfers for debt service

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

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

	Balance July 1, 2006	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 489,952	\$ -	\$ 576,142	\$ -	\$ 1,066,094
Construction in progress	107,316	(100,474)	473,149	-	479,991
Subtotal	597,268	(100,474)	1,049,291	-	1,546,085
Capital assets being depreciated:					
Buildings and improvements	9,346,381	(57,796)	84,807	-	9,373,392
Machinery and tools	436,850	-	65,757	-	502,607
Vehicles, boats, and related equipment	1,034,392	-	124,227	156,202	1,002,417
Leasehold improvements	-	158,270	470,462	-	628,732
Office furnishings and equipment	843,901	-	84,685	-	928,586
Subtotal	11,661,524	100,474	829,938	156,202	12,435,734
Accumulated depreciation:					
Buildings and improvements	2,065,569	(1,156)	286,035	-	2,350,448
Machinery and tools	225,278	-	68,183	-	293,461
Vehicles, boats, and related equipment	706,175	-	191,947	156,202	741,920
Leasehold improvements	-	1,156	13,731	-	14,887
Office furnishings and equipment	523,192	-	97,152	-	620,344
Subtotal	3,520,214	-	657,048	156,202	4,021,060
Net capital assets being depreciated	8,141,310	100,474	172,890	-	8,414,674
Net capital assets	<u>\$ 8,738,578</u>	<u>\$ -</u>	<u>\$ 1,222,181</u>	<u>\$ -</u>	<u>\$ 9,960,759</u>

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

	Balance July 1, 2006	Reclassifications	Additions	Balance June 30, 2007
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,303,361	\$ -	\$ -	\$ 1,303,361
Construction in progress	993,138	(2,832,969)	3,041,775	1,201,944
Subtotal	2,296,499	(2,832,969)	3,041,775	2,505,305
Capital assets being depreciated:				
Utility system	24,411,880	2,832,969	(2,180,207)	25,064,642
Treatment plant	4,466,586	-	11,000	4,477,586
Equipment	3,141,967	-	321,137	3,463,104
Subtotal	32,020,433	2,832,969	(1,848,070)	33,005,332
Accumulated depreciation:				
Utility system	4,972,093	-	433,059	5,405,152
Treatment plant	568,646	-	84,092	652,738
Equipment	589,583	-	152,176	741,759
Subtotal	6,130,322	-	669,327	6,799,649
Net capital assets being depreciated	25,890,111	2,832,969	(2,517,397)	26,205,683
Net capital assets	<u>\$ 28,186,610</u>	<u>\$ -</u>	<u>\$ 524,378</u>	<u>\$ 28,710,988</u>

Capital asset activity for the Township's component units for the year was as follows:

	Balance July 1, 2006	Additions	Balance June 30, 2007
Component Unit - Library			
Capital assets being depreciated:			
Buildings and improvements	\$ 30,403	\$ 31,375	\$ 61,778
Computer equipment	62,146	-	62,146
Subtotal	92,549	31,375	123,924
Accumulated depreciation	17,176	17,390	34,566
Net capital assets	<u>\$ 75,373</u>	<u>\$ 13,985</u>	<u>\$ 89,358</u>

Township of Hamburg

Notes to Financial Statements
June 30, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the Township as follows:

Governmental activities:	
General government	\$ 94,800
Public safety	352,595
Public works	8,759
Recreation and culture	<u>200,894</u>
Total governmental activities	<u>\$ 657,048</u>

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that 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 a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds							
Amount of issue - \$3,450,000		\$425,000 -					
Maturing through 2010	4.625%-4.70%	\$500,000	\$ 1,800,000	\$ -	\$ (400,000)	\$ 1,400,000	\$ 425,000
Bank notes:							
Mausoleum debt							
Amount of issue - \$250,000		\$11,501-					
Maturing through 2022	4.55%	\$2,2472	-	250,000	-	250,000	11,501
Fire truck							
Amount of issue - \$306,754		\$344 -					
Maturing through 2012	4.15%-4.49%	\$48,632	30,996	224,294	(24,689)	230,601	47,527
2006 Special Assessment							
Amount of issue - \$303,855		\$39,486					
Maturing through 2014	4.55%	\$49,513	-	303,855	(37,704)	266,151	39,486
2006 Special Assessment							
Amount of issue - \$307,310		\$26,002					
Maturing through 2017	4.55%	\$37,342	-	307,310	(24,816)	282,494	26,002
Special assessment bonds:							
1997 Limited Tax G.O.							
Amount of issue - \$710,000		\$35,000 -					
Maturing through 2017	4.90%- 5.50%	\$45,000	450,000	-	(35,000)	415,000	35,000
2004 Special Assessment							
Amount of issue - \$5,660,000							
Portion related to governmental activities - \$95,755		\$4,652-					
Maturing through 2023	3.50%-4.65%	\$5,075	84,764	-	(5,498)	79,266	5,075
Note payable - Construction installment note							
Amount of issue - \$3,800,000		\$26,147 -					
Maturing through 2010	5.25%-5.75%	\$455,954	1,708,203	-	(409,814)	1,298,389	432,229
Michigan Transportation Fund Note							
Amount of issue - \$192,382							
Maturing through 2012	4.125%-4.35%	\$19,238	115,429	-	(19,238)	96,191	19,238
Total bonds, installment obligations, and notes							
			4,189,392	1,085,459	(956,759)	4,318,092	1,041,058
Compensated absences							
	N/A	N/A	334,421	412,692	(334,421)	412,692	136,188
Total governmental activities							
			\$ 4,523,813	\$ 1,498,151	\$ (1,291,180)	\$ 4,730,784	\$ 1,177,246

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activity - Sewer							
Special assessment bonds:							
1992 Limited Tax G.O.							
Amount of issue - \$1,590,000		\$85,000 -					
Maturing through 2012	2.00%	\$90,000	\$ 520,000	\$ -	\$ (85,000)	\$ 435,000	\$ 85,000
1998 Series 1998							
Amount of issue - \$430,000		\$20,000 -					
Maturing through 2018	4.35%-5.00%	\$25,000	265,000	-	(25,000)	240,000	25,000
1999 Series 1999							
Amount of issue - \$4,580,000		\$295,000 -					
Maturing through 2014	4.90%-5.25%	\$320,000	2,425,000	-	(285,000)	2,140,000	320,000
2001 Series 2001							
Amount of issue - \$6,575,000		\$325					
Maturing through 2021	4.30%-6.50%	\$450,000	5,600,000	-	(300,000)	5,300,000	325,000
2004 Special Assessment							
Amount of issue - \$5,660,000							
Portion related to business-type activity - \$5,564,245		\$270,348 -					
Maturing through 2023	3.50%-4.65%	\$294,925	4,925,242	-	(319,502)	4,605,740	294,924
Bank notes:							
2004 Special Assessment							
Amount of issue - \$100,000		\$3,286-					
Maturing through 2017	4.55%	\$65,835	-	100,000	(3,129)	96,871	3,286
Revenue bonds:							
1997 Wastewater Treatment Plant							
Amount of issue - \$5,225,000		\$150,000 -					
Maturing through 2027	5.50%-5.60%	\$325,000	4,700,000	-	(4,700,000)	-	-
2007 Wastewater Treatment Plant							
Amount of issue - \$4,590,000		\$150,000 -					
Maturing through 2027	3.60%-4.20%	\$325,000	-	4,590,000	-	4,590,000	-
2002 Water System Project							
Amount of issue - \$2,000,000		\$25,000 -					
Maturing through 2032	4.50%-5.00%	\$125,000	1,975,000	-	(25,000)	1,950,000	25,000
Installment purchase agreements							
Amount of issue - \$736,629		\$71,068 -					
Maturing through 2013	3.25%	\$83,621	532,163	-	(68,841)	463,322	71,068
Total bonds and installment purchase agreements			20,942,405	4,690,000	(5,811,472)	19,820,933	1,149,278
Compensated absences			12,112	7,203	(12,112)	7,203	2,377
Total business-type activities			<u>\$ 20,954,517</u>	<u>\$ 4,697,203</u>	<u>\$ (5,823,584)</u>	<u>\$ 19,828,136</u>	<u>\$ 1,151,655</u>

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activity - Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,041,058	\$ 202,429	\$ 1,243,487	\$ 1,149,278	\$ 874,667	\$ 2,023,945
2009	1,119,302	150,314	1,269,616	1,316,825	814,942	2,131,767
2010	1,077,986	94,759	1,172,745	1,309,405	756,071	2,065,476
2011	225,870	50,072	275,942	1,387,071	580,531	1,967,602
2012	205,743	40,650	246,393	1,379,803	642,842	2,022,645
2013-2017	516,756	100,215	616,971	5,647,052	2,376,081	8,023,133
2018-2022	126,727	18,932	145,659	4,836,143	1,174,658	6,010,801
2023-2027	4,650	216	4,866	2,195,356	353,463	2,548,819
2028-2032	-	-	-	600,000	77,500	677,500
Total	\$ 4,318,092	\$ 657,587	\$ 4,975,679	\$ 19,820,933	\$ 7,650,755	\$ 27,471,688

Bank Notes - Subsequent to June 30, 2007, all bank notes were either paid off through loans from the General Fund and Sewer Fund or were refinanced into installment purchase agreements to be in compliance with the Municipal Finance Act.

Defeased Debt - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$2,800,000 of bonds outstanding are considered defeased.

Subsequent Event - On October 15, 2007, the Township closed on new Unlimited Tax General Obligation Bonds for construction of a new fire station. The bonds, totaling \$3,500,000 at an interest rate of 3.5 percent to 5 percent, are payable through 2016.

Component Unit - Library - Long-term debt of the component unit consists of compensated absences totaling \$20,256. The liability increased from the prior year by \$2,600.

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$145,000 during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer system that is available to command officers and to all police patrol employees of the Township. MMERS provides retirement benefits and disability and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, MI 48917.

Contributions

The obligation to contribute to and maintain MMERS for these employees was established by negotiation with the Township's competitive bargaining units. The police patrol employees' agreement requires employees to contribute 3 percent of wages in the first year and 4 percent of wages in subsequent years. The Township is responsible for the remainder of the cost of the plan.

Annual Pension Cost

For the year ended June 30, 2007, the Township's annual pension cost of \$106,951 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0 percent to 8.4 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 8 - Defined Benefit Pension Plan (Continued)

Three-year trend information as of June 30 is as follows:

	Fiscal Year Ended June 30		
	2007	2006	2005
Annual pension costs (APC)	\$ 106,951	\$ 112,979	\$ 99,919
Percentage of APC contributed	100%	100%	100%

	As of December 31		
	2006	2005	2004
Actuarial value of assets	\$ 823,230	\$ 659,459	\$ 543,920
Actuarial accrued liability (AAL) (entry age)	\$ 1,879,500	\$ 1,575,683	\$ 1,428,771
Unfunded AAL (UAAL)	\$ 1,056,270	\$ 916,224	\$ 884,851
Funded ratio	43.8%	41.9%	38.1%
Covered payroll	\$ 878,867	\$ 783,856	\$ 763,112
UAAL as a percentage of covered payroll	120%	117%	116%

Note 9 - Investments in Joint Ventures

The Township is a member of the Portage - Base Lakes Area Water and Sewer Authority (the "Authority"), which provides sewer services to the residents of Hamburg, Dexter, Putnam, and Webster Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 10405 Merrill Road, Hamburg, Michigan. The investment is recorded in the governmental activities and is calculated as 35.3 percent of the Authority's year-end fund balance at March 31, 2007.

The Township is a member of the Livingston Community Water Authority (the "Water Authority"), which will provide water services to the residents of Hamburg, Brighton, and Green Oak Townships. Once services are provided, the participating communities will provide annual funding for its operations via water billings. As of June 30, 2007, the Water Authority had not yet begun providing service to the Township residents. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The investment is recorded in the business-type activity - water system at June 30, 2007.

Township of Hamburg

Notes to Financial Statements June 30, 2007

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical, dental, and optical benefits provided to employees. The Township has purchased commercial insurance for employee injuries, medical, dental, and optical claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

Note 11 - Assets Restricted for Capital and Debt

Restricted assets in the Sewer Enterprise Fund as June 30, 2007 consist of the following:

Bank deposits and investments	\$ 7,440,438
Special assessment receivables:	
Current	1,382,627
Long-term	<u>8,546,079</u>
Total	<u>\$ 17,369,144</u>

These assets are restricted specifically for various capital improvements as well as the payment of the related debt.

Note 12 - Postemployment Benefits

The Township established the Hamburg Township Post Employment Medical Expense Reimbursement Plan and Section 115 Trust effective May 1, 2007 for the purpose of providing health insurance benefits approved by a collective bargaining agreement with the Michigan Association of Police. The plan covers all collectively bargained police employees upon retirement. The plan constitutes a "voluntary employees' beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986. Beginning in 2007, the Township is required to make annual contributions to the plan based on each eligible employee's years of service. The Township contributed \$84,287 to the plan during the year ended June 30, 2007. Participant contributions are not required and participants become 100 percent vested in the plan after completing 10 years of service.

Note 12 - Postemployment Benefits (Continued)

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 13 - Stewardship, Compliance, and Accountability

Fund Deficits - The Township has an accumulated fund deficit of \$88 in the Winans Drive Maintenance SAD Fund (included in the nonmajor Capital Projects Fund Maintenance SADs Funds). The Winans Drive deficit will be corrected through the 2007/2008 special assessment related to the road maintenance. In addition, the Mumford Park Debt Service Fund has a fund deficit of \$94. The shortfall is due to the timing of collections related to the special assessments and the recording of the deferred revenue liability. The shortfall will be corrected through collections of the receivable and recording of the deferred revenue as revenue. The Water System Fund has an unrestricted net assets deficit of \$25,998. This was corrected through a transfer from the General Fund subsequent to year end.

Required Supplemental Information

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,862,063	\$ 2,862,063	\$ 2,862,063	\$ -
Revenues and Transfers In				
Property taxes	836,870	836,870	840,022	3,152
Licenses and permits	227,250	227,250	231,332	4,082
State sources	1,424,260	1,424,260	1,391,665	(32,595)
Charges for services	611,483	863,293	637,287	(226,006)
Interest and other	157,400	157,400	181,702	24,302
Operating transfers in	-	-	2,020	2,020
Proceeds from long-term debt issue	-	-	250,000	250,000
Total revenues and transfers in	3,257,263	3,509,073	3,534,028	24,955
Expenditures and Transfers Out				
Legislative - Township board	171,857	116,209	100,065	16,144
General government:				
Township supervisor	121,811	120,737	119,015	1,722
Elections	53,516	53,516	40,661	12,855
Accounting	163,432	166,573	164,670	1,903
Assessor	267,278	263,645	267,167	(3,522)
Clerk	231,873	237,104	219,273	17,831
Board of review	1,627	1,627	1,437	190
Treasurer	143,594	153,397	149,785	3,612
Township building and grounds	305,012	300,684	326,502	(25,818)
Cemetery	36,004	287,722	36,092	251,630
Unallocated	232,056	229,748	213,368	16,380
Environmental review board	10,400	10,440	8,853	1,587
Total general government	1,566,603	1,825,193	1,546,823	278,370
Public safety:				
Planning commission	95,515	95,515	68,558	26,957
Zoning administrator	226,360	219,982	207,355	12,627
Zoning board of appeals	7,986	7,986	5,109	2,877
Total public safety	329,861	323,483	281,022	42,461
Public works:				
Street lighting	12,000	12,000	13,312	(1,312)
Mapping	164,080	156,763	152,530	4,233
Utility/SAD department	64,285	64,226	66,102	(1,876)
Total public works	240,365	232,989	231,944	1,045

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures and Transfers Out (Continued)				
Health and welfare	\$ 80,301	\$ 86,359	\$ 76,803	\$ 9,556
Recreation and cultural - Recreation board	49,247	49,247	42,750	6,497
Other uses - Operating transfers out	768,033	971,085	1,681,657	(710,572)
Total expenditures and transfers out	<u>3,206,267</u>	<u>3,604,565</u>	<u>3,961,064</u>	<u>(356,499)</u>
Fund Balance - End of year	<u>\$ 2,913,059</u>	<u>\$ 2,766,571</u>	<u>\$ 2,435,027</u>	<u>\$ (331,544)</u>

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Police Special Revenue Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 906	\$ 906	\$ 906	\$ -
Revenues and Transfers In				
Property taxes	915,529	915,529	917,992	2,463
Charges for services	11,200	11,200	24,528	13,328
Fines and forfeitures	23,000	23,000	26,279	3,279
Interest and other	900	900	26,684	25,784
Proceeds from sale of capital assets	350	350	21,265	20,915
Operating transfers in	<u>830,000</u>	<u>852,779</u>	<u>1,116,995</u>	<u>264,216</u>
Total revenues and transfers in	1,780,979	1,803,758	2,133,743	329,985
Expenditures and Transfers Out				
Public safety	1,639,666	1,663,533	1,938,137	(274,604)
Transfers	<u>157,968</u>	<u>182,207</u>	<u>196,473</u>	<u>(14,266)</u>
Total expenditures and transfers out	<u>1,797,634</u>	<u>1,845,740</u>	<u>2,134,610</u>	<u>(288,870)</u>
Fund Balance (Deficit) - End of year	<u>\$ (15,749)</u>	<u>\$ (41,076)</u>	<u>\$ 39</u>	<u>\$ 41,115</u>

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Fire Special Revenue Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 750,125	\$ 750,125	\$ 750,125	\$ -
Revenues and Transfers In				
Property taxes	875,702	875,702	878,062	2,360
Interest and other	23,000	23,000	31,269	8,269
Federal sources	-	-	84,243	84,243
Proceeds from long-term debt issue	-	-	224,294	224,294
Transfer from other funds	-	-	186,253	186,253
Total revenues and transfers in	<u>898,702</u>	<u>898,702</u>	1,404,121	505,419
Expenditures and Transfers Out				
Public safety	705,217	707,855	767,402	(59,547)
Transfers to other funds	(17,621)	(17,621)	880,506	(898,127)
Total expenditures and transfers out	<u>687,596</u>	<u>690,234</u>	1,647,908	(957,674)
Fund Balance - End of year	<u>\$ 961,231</u>	<u>\$ 958,593</u>	<u>\$ 506,338</u>	<u>\$ (452,255)</u>

Township of Hamburg

Note to Required Supplemental Information June 30, 2007

Note - Budgetary Information

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles, with the exception of operating transfers and proceeds from issuance of long-term debt and sale of assets, which have been included in the "revenue" and "expenditures" categories, rather than omitted from the budget statement.

The budget has been adopted on a total fund basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund, Police Fund, and Fire Fund as adopted by the Township board are included in the required supplemental information of the basic financial statements. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only. A comparison of actual results of operations to the budgets for nonmajor Special Revenue Funds as adopted by the board is available at the Township hall for inspection.

Significant Budget Overruns - During the year, the Township of Hamburg incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township building and grounds	\$ 300,684	\$ 326,502	\$ (25,818)
Other uses - Operating transfers out	971,085	1,681,657	(710,572)
Police Fund - Public safety	1,663,533	1,938,137	(274,604)
Fire Fund:			
Public safety	707,855	767,402	(59,547)
Other uses - Operating transfers out	(17,621)	880,506	(898,127)

The overrun resulted from higher than anticipated general operational costs.

Other Supplemental Information

Township of Hamburg



	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Assets					
Cash and investments	\$ 118,115	\$ 46,984	\$ 7,343	\$ 35,858	\$ 318,688
Account receivable - Special assessments	-	-	-	-	-
Total assets	<u>\$ 118,115</u>	<u>\$ 46,984</u>	<u>\$ 7,343</u>	<u>\$ 35,858</u>	<u>\$ 318,688</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances					
Reserved for future cemetery expenditures					
Unreserved, reported in:					
Special Revenue Funds	118,115	46,984	7,343	35,858	318,688
Debt Service Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Total fund balances	<u>118,115</u>	<u>46,984</u>	<u>7,343</u>	<u>35,858</u>	<u>318,688</u>
Total liabilities and fund balances	<u>\$ 118,115</u>	<u>\$ 46,984</u>	<u>\$ 7,343</u>	<u>\$ 35,858</u>	<u>\$ 318,688</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Debt Service Funds					Capital Fund			
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Huron Highland Road Improvement	Firestation Debt Service	Tamarack Lake Sewer Debt Service Fund	Shan-gri-la Road Improvement Debt Service Fund	Maintenance SADs	Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ 17,714	\$ 921	\$ 64,153	\$ 103,299	\$ 213,636	\$ 27,578	\$ 422,616	\$ 55,166	\$ 1,432,071
64,509	8,673	207,206	-	279,453	226,964	-	18,615	805,420
\$ 82,223	\$ 9,594	\$ 271,359	\$ 103,299	\$ 493,089	\$ 254,542	\$ 422,616	\$ 73,781	\$ 2,237,491
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,539	\$ -	\$ 5,539
14,649	-	-	-	-	-	1,550	-	16,199
64,509	8,673	207,206	-	279,453	226,964	-	18,615	805,420
79,158	8,673	207,206	-	279,453	226,964	7,089	18,615	827,158
-	-	-	-	-	-	-	55,166	55,166
3,065	921	64,153	103,299	213,636	27,578	-	-	526,988
-	-	-	-	-	-	415,527	-	412,652
3,065	921	64,153	103,299	213,636	27,578	415,527	55,166	1,410,333
\$ 82,223	\$ 9,594	\$ 271,359	\$ 103,299	\$ 493,089	\$ 254,542	\$ 422,616	\$ 73,781	\$ 2,237,491

Township of Hamburg

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Fines and forfeitures	-	-	-	354,039	-
Charges for services	-	-	-	-	-
State grants	-	-	1,517	-	-
Interest and other	6,784	1,909	76	8,689	11,023
Total revenue	6,784	1,909	1,593	362,728	11,023
Expenditures					
Public safety	-	-	1,015	12,879	-
Public works	39,300	-	-	-	-
Debt service	23,708	-	-	-	-
Capital outlay	-	2,799	-	-	8,470
Total expenditures	63,008	2,799	1,015	12,879	8,470
Excess of Revenue Over (Under) Expenditures	(56,224)	(890)	578	349,849	2,553
Other Financing Sources (Uses)					
Transfers in	-	-	5,000	14,265	-
Transfers out	-	-	-	(467,794)	(315)
Proceeds from long-term debt issue	-	-	-	-	-
Total other financing sources (uses)	-	-	5,000	(453,529)	(315)
Net Change in Fund Balances	(56,224)	(890)	5,578	(103,680)	2,238
Fund Balances - Beginning of year	174,339	47,874	1,765	139,538	316,450
Fund Balances - End of year	\$ 118,115	\$ 46,984	\$ 7,343	\$ 35,858	\$ 318,688

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Debt Service Funds					Capital Projects Fund			
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Huron Highland Road Improvement	Firestation Debt Service	Tamarack Lake Sewer Debt Service Fund	Shan-gri-la Road Improvement Debt Service Fund	Maintenance SADs	Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 102,205	\$ -	\$ -	\$ -	\$ -	\$ 102,205
11,242	1,130	100,260	-	47,557	77,591	35,584	-	273,364
-	-	-	-	-	-	-	-	354,039
-	-	-	-	-	-	-	2,196	2,196
-	-	-	-	-	-	-	-	1,517
582	14	2,962	1,094	10,632	1,784	23,655	2,526	71,730
11,824	1,144	103,222	103,299	58,189	79,375	59,239	4,722	805,051
-	-	-	-	-	-	-	-	13,894
-	-	-	-	-	-	-	-	39,300
8,982	-	39,069	-	58,800	51,797	-	-	182,356
-	-	-	-	-	-	276,373	-	287,642
8,982	-	39,069	-	58,800	51,797	276,373	-	523,192
2,842	1,144	64,153	103,299	(611)	27,578	(217,134)	4,722	281,859
-	-	-	-	-	-	-	-	19,265
-	-	-	-	-	-	-	-	(468,109)
-	-	-	-	-	-	611,165	-	611,165
-	-	-	-	-	-	611,165	-	162,321
2,842	1,144	64,153	103,299	(611)	27,578	394,031	4,722	444,180
223	(223)	-	-	214,247	-	21,496	50,444	966,153
\$ 3,065	\$ 921	\$ 64,153	\$ 103,299	\$ 213,636	\$ 27,578	\$ 415,527	\$ 55,166	\$ 1,410,333

November 19, 2007

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

Dear Board Members:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- An audit adjustment was posted to correct the accounting for the refunding debt that was issued during the year. It should be noted that this journal entry was related to a transaction that the Township does not deal with on a regular basis.
- It was noted that there is limited segregation of duties in the payroll system. The payroll accountant inputs pay rate changes and new employees into the ADP software. He also receives the payroll package from ADP, enters all payroll journal entries, and reconciles to the bank accounts. The payroll accountant also calculates the contributions to MMERS for the defined contribution plan without any review.

A material weakness is a significant deficiency, or 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 deficiency constitutes a material weakness:

- The Municipal Finance Act allows units of government to borrow money through bond issues or installment purchase agreements only. As of June 30, 2007, the Township had five debt instruments outstanding that were not allowed under this Act. These items were either paid off or refinanced subsequent to year end. We strongly encourage the Township to involve legal counsel in all future debt transactions to help avoid a reoccurrence of this situation.

The following are other comments and recommendations made as a result of our audit for your review and consideration.

Accounting and Recordkeeping Items

As a result of our examination, we offer the following comments and recommendations relating to the Township's accounting and recordkeeping procedures:

- It was noted during review of timesheets that timecards were being approved by supervisors without a thorough review, and that timecards with errors were submitted for processing. For example, employees would inadvertently record that they worked a holiday when in reality they did not. These errors were discovered by the payroll accountant and corrected either during the pay period or during the subsequent pay period. We would recommend supervisors be encouraged to conduct a more thorough review of their employees' timesheets.
- It was noted during the payroll walkthrough that a selected employee did not have an updated pay rate included in their personnel file. We would recommend that the Township keep updated records in every employee's personnel file.
- It was noted on the outstanding check listing at year end that there were outstanding checks that were greater than one year old. The check amounts were minimal; however, we would recommend that the Township review these items and determine the proper course of action for followup.
- We noted miscellaneous differences in interfund balances between the General Fund and the Trust and Agency Funds. Although these differences are small, we would recommend that the Township reconcile between these accounts on a regular basis to help make interim financial reports simpler and easier to understand, ensure that each fund is able to invest and be credited with its share of investment earnings on an equitable basis, and avoid cash flow surprises resulting from unexpected demands or needs to liquidate interfund balances.

- During the current year, the Township received money related to the sale of crypts and niches for the new mausoleum. The activity was recorded in the Capital Improvement Building Debt Service Fund, and an audit adjustment was made to record the activity in the Permanent Fund - Cemetery Perpetual Care. We recommend that the Township determine where the activity should be recorded on a go-forward basis as activity is expected to increase in the upcoming year.
- Our audit field work took place considerably earlier in the year compared to the prior year. We would like to commend the Township staff on their hard work in preparing for the audit. Most of the audit schedules were ready upon our arrival at the Township and the field work ran very smoothly. The delay in delivery of the report was due to certain legal issues, not accounting matters. It has been noted that the board would like to move the date of the audit next year to August 15, 2008. We would advise the board to be cautious with any plans to move the audit earlier as this would require extensive planning and significant commitment of staff time in preparation for the audit.

Legislative Issues

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Further changes to Michigan's tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not yet been announced, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including more than \$550 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships, including the Township of Hamburg, are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

Below is a summary of the Township's revenue-sharing payment receipts during the State's fiscal years beginning in 2001:

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 285,140	\$ 1,331,068	\$ 1,616,208	\$ -
2002	275,587	1,344,544	1,620,131	3,923
2003	234,627	1,366,858	1,601,485	(14,723)
2004	87,328	1,352,011	1,439,339	(176,869)
2005	39,374	1,384,276	1,423,650	(192,558)
2006	-	1,407,843	1,407,843	(208,365)
2007	-	1,378,590	1,378,590	(237,618)
2008 - Projected		1,395,101	1,395,101	(221,107)

We will continue to update the Township as developments occur.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT.

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of less than 5 percent on business income. The MBT provides for new investment, compensation and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. "Industrial" personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). "Commercial" personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, and property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a Municipal Qualifying Statement once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year ended June 30, 2007 and is good for one year thereafter. The Township should consider the need to file this qualifying statement for each of its component units.

Funding of Postemployment Benefit Obligations

As mentioned in the prior years, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare benefits.

The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, which also represents the period in which the benefits are being earned, rather than at the time the healthcare premiums are paid.

November 19, 2007

These new rules will apply to the government-wide financial statements, rather than the individual fund level. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Township's fiscal year ending June 30, 2009. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

We would like to thank all of the Township personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "M. J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Kellie L. Goines", written in a cursive style.

Kellie Goines