

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Howell Township	County Livingston
Fiscal Year End June 30, 2007	Opinion Date November 20, 2007	Date Audit Report Submitted to State November 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

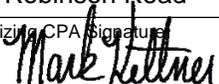
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorized CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

Howell Township



Livingston County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

HOWELL TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

November 20, 2007

Board of Trustees
Township of Howell
Howell, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howell Township, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

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

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Howell Township
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,311,563	\$ 11,641,728	\$ 13,953,291
Receivables:			
Note receivable	30,667	-	30,667
State sources	60,937	-	60,937
Advances for future projects	216,206	-	216,206
Special assessments	-	21,837,421	21,837,421
Other	15,137	5,372	20,509
Investment in joint ventures	431,490	10,840,330	11,271,820
Reserves with County	-	31,214	31,214
Other assets	-	268,253	268,253
Internal balances	553,474	(553,474)	-
Capital assets not being depreciated	265,392	6,707,207	6,972,599
Capital assets being depreciated, net	756,578	21,442,509	22,199,087
	<u>4,641,444</u>	<u>72,220,560</u>	<u>76,862,004</u>
Liabilities			
Accounts payable	588,130	851,086	1,439,216
Long-term liabilities:			
Due in one year	-	1,330,324	1,330,324
Due in more than one year	19,775	29,459,956	29,479,731
	<u>607,905</u>	<u>31,641,366</u>	<u>32,249,271</u>
Net assets			
Invested in capital assets, net of related debt	1,021,970	19,073,008	20,094,978
Restricted for special purposes	1,785,321	-	1,785,321
Unrestricted	1,226,248	21,506,186	22,732,434
	<u>4,033,539</u>	<u>40,579,194</u>	<u>44,612,733</u>

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

Howell Township
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 1,058,714	\$ 75,910	\$ -	\$ 240,000	\$ (742,804)
Public safety	-	917	-	-	917
Public works	588,583	-	-	-	(588,583)
Recreation and culture	36,977	-	-	-	(36,977)
Total governmental activities	<u>1,684,274</u>	<u>76,827</u>	<u>-</u>	<u>240,000</u>	<u>(1,367,447)</u>
Business-type activities:					
Sewer	954,420	733,621	79,553	-	(141,246)
Water	292,381	178,350	1,605,064	-	1,491,033
Water/Sewer	753,231	8,425,000	1,497	-	7,673,266
Total business-type activities	<u>2,000,032</u>	<u>9,336,971</u>	<u>1,686,114</u>	<u>-</u>	<u>9,023,053</u>
Total primary government	<u>\$ 3,684,306</u>	<u>\$ 9,413,798</u>	<u>\$ 1,686,114</u>	<u>\$ 240,000</u>	<u>7,655,606</u>

continued...

Howell Township
Statement of Activities (Concluded)
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue	\$ (1,367,447)	\$ 9,023,053	\$ 7,655,606
General revenues:			
Property taxes	745,392	-	745,392
State shared revenue	389,354	-	389,354
Unrestricted investment earnings	98,213	1,286,310	1,384,523
Franchise fees	30,501	-	30,501
Income from joint ventures	54,490	-	54,490
Other	102,291	-	102,291
Transfers - internal activities	7,000	(7,000)	-
Total general revenues and transfers	<u>1,427,241</u>	<u>1,279,310</u>	<u>2,706,551</u>
Change in net assets	59,794	10,302,363	10,362,157
Net assets, beginning of year	<u>3,973,745</u>	<u>30,276,831</u>	<u>34,250,576</u>
Net assets, end of year	<u><u>\$ 4,033,539</u></u>	<u><u>\$ 40,579,194</u></u>	<u><u>\$ 44,612,733</u></u>

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

FUND FINANCIAL STATEMENTS

**Howell Township
Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General</u>	<u>Road</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,068,006	\$ 1,017,500	\$ 226,057	\$ 2,311,563
Receivables:				
Note receivable	30,667	-	-	30,667
State sources	60,937	-	-	60,937
Advances for future projects	216,206	-	-	216,206
Other	6,651	8,486	-	15,137
Due from other funds	-	-	553,474	553,474
<u>TOTAL ASSETS</u>	\$ 1,382,467	\$ 1,025,986	\$ 779,531	\$ 3,187,984
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 50,873	\$ 20,196	-	\$ 71,069
Accrued and other liabilities	19,638	-	-	19,638
Escrow payable	497,423	-	-	497,423
Deferred revenue	30,667	-	-	30,667
Total liabilities	598,601	20,196	-	618,797
Fund balances				
Reserved for road construction	-	1,005,790	-	1,005,790
Unreserved, reported in -				
Special revenue funds	-	-	779,531	779,531
Unreserved, undesignated	783,866	-	-	783,866
Total fund balances	783,866	1,005,790	779,531	2,569,187
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 1,382,467	\$ 1,025,986	\$ 779,531	\$ 3,187,984

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

Howell Township
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 2,569,187
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add: capital assets, net	1,280,257
Deduct: accumulated depreciation	(258,287)
<p>Joint venture assets reported in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add: investment in joint ventures	431,490
<p>Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.</p>	
Add: deferred long-term receivables	30,667
<p>Certain liabilities, such as accrued interest payable and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct: compensated absences	<u>(19,775)</u>
Net assets of governmental activities	<u><u>\$ 4,033,539</u></u>

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

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

	General	Road	Nonmajor Governmental Funds	Total
Revenue				
Taxes	\$ 419,306	\$ 319,237	\$ -	\$ 738,543
Licenses and permits	89,555	-	-	89,555
State shared revenue	389,354	-	-	389,354
Charges for services	1,671	-	-	1,671
Refunds and reimbursements	16,102	-	-	16,102
Interest and other revenue	141,887	57,083	8,383	207,353
Total revenue	1,057,875	376,320	8,383	1,442,578
Expenditures				
Current:				
General government	1,001,352	-	-	1,001,352
Public works	60,701	527,882	-	588,583
Recreation and culture	7,294	-	6,183	13,477
Capital outlay	29,726	-	23,500	53,226
Total expenditures	1,099,073	527,882	29,683	1,656,638
Revenue over (under) expenditures	(41,198)	(151,562)	(21,300)	(214,060)
Other financing sources				
Proceeds from note receivable	10,222	-	-	10,222
Transfers in	7,000	-	-	7,000
Total other financing sources	17,222	-	-	17,222
Net change in fund balances	(23,976)	(151,562)	(21,300)	(196,838)
Fund balances, beginning of year	807,842	1,157,352	800,831	2,766,025
Fund balances, end of year	\$ 783,866	\$ 1,005,790	\$ 779,531	\$ 2,569,187

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

Howell Township
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (196,838)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	254,453
Deduct: depreciation expense	(44,702)

The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.

Deduct: payments received on deferred long-term receivables	(10,222)
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Joint venture income reported in governmental activities is not reported in the funds.

Add: income from joint venture	54,490
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for compensated absences	2,613
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Change in net assets of governmental activities	\$ 59,794
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The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue				
Property taxes	\$ 446,948	\$ 446,948	\$ 419,306	\$ (27,642)
State sources	388,000	388,000	389,354	1,354
Interest income	11,000	11,000	32,747	21,747
Cable TV franchise fee	28,000	28,000	30,501	2,501
Nonbusiness licenses, permits and fees	21,600	21,600	30,035	8,435
Collection fees	10,200	10,200	7,702	(2,498)
Zoning fees	25,000	25,000	15,900	(9,100)
Zoning Appeal Board	4,000	4,000	1,700	(2,300)
Reimbursed fire runs	-	-	917	917
Refunds and reimbursements	200	200	16,102	15,902
Land division fees	3,500	3,500	2,800	(700)
Charges for services	16,700	16,700	1,671	(15,029)
Other	23,800	23,800	109,140	85,340
	<u>978,948</u>	<u>978,948</u>	<u>1,057,875</u>	<u>78,927</u>
Total revenue				
Expenditures				
General government:				
Township Board	37,400	28,200	27,872	(328)
Supervisor	29,606	29,606	29,089	(517)
Clerk	68,519	70,919	68,526	(2,393)
Manager	127,350	125,350	118,724	(6,626)
Election expenses	23,600	25,100	23,497	(1,603)
Treasurer	32,594	32,394	31,807	(587)
Finance director	46,075	45,275	45,064	(211)
Professional services:				
Legal	120,000	192,938	188,640	(4,298)
Other	18,500	17,700	16,597	(1,103)
Tax roll preparation	6,500	6,612	6,530	(82)
Township Hall expenses	28,850	30,650	28,511	(2,139)
Township general expenses	103,710	94,810	92,301	(2,509)
Cemetery and memorials	7,300	7,300	5,778	(1,522)
Planning Commission	27,830	25,430	21,861	(3,569)
Planning consultant	28,000	21,500	14,689	(6,811)
Board of Appeals	7,750	4,750	2,898	(1,852)
Board of Review	2,850	2,650	1,965	(685)
Payroll taxes	39,000	39,000	35,696	(3,304)
Assessor	110,203	118,703	118,199	(504)
Insurance	17,000	17,372	17,372	-
Economic development	2,500	2,500	2,500	-
Employees' life insurance	32,279	32,279	30,637	(1,642)
Retirement	75,000	75,000	71,484	(3,516)
Meetings	1,040	790	225	(565)
Other	15,000	890	890	-
	<u>1,008,456</u>	<u>1,047,718</u>	<u>1,001,352</u>	<u>(46,366)</u>
Total general government				

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Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Public works:				
Street lighting	\$ 4,700	\$ 4,700	\$ 4,609	\$ (91)
Drains	64,500	50,724	46,078	(4,646)
Engineering	3,500	10,014	10,014	-
Total public works	<u>72,700</u>	<u>65,438</u>	<u>60,701</u>	<u>(4,737)</u>
Recreation and cultural	<u>4,575</u>	<u>4,575</u>	<u>7,294</u>	<u>2,719</u>
Capital outlay	<u>25,000</u>	<u>30,000</u>	<u>29,726</u>	<u>(274)</u>
Total expenditures	<u>1,110,731</u>	<u>1,147,731</u>	<u>1,099,073</u>	<u>(48,658)</u>
Revenue over (under) expenditures	<u>(131,783)</u>	<u>(168,783)</u>	<u>(41,198)</u>	<u>127,585</u>
Other financing sources (uses)				
Note proceeds	12,000	12,000	10,222	(1,778)
Transfers in	7,000	7,000	7,000	-
Transfers out	<u>(58,000)</u>	<u>(21,000)</u>	<u>-</u>	<u>21,000</u>
Total other financing sources (uses)	<u>(39,000)</u>	<u>(2,000)</u>	<u>17,222</u>	<u>19,222</u>
Net change in fund balances	(170,783)	(170,783)	(23,976)	146,807
Fund balance, beginning of year	<u>807,842</u>	<u>807,842</u>	<u>807,842</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 637,059</u></u>	<u><u>\$ 637,059</u></u>	<u><u>\$ 783,866</u></u>	<u><u>\$ 146,807</u></u>

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

Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual
Road Special Revenue Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Taxes	\$ 315,000	\$ 315,000	\$ 319,237	\$ 4,237
Interest and other revenue	12,000	12,000	57,083	45,083
Total revenue	327,000	327,000	376,320	49,320
Expenditures				
Public works:				
Maintenance	500,000	500,000	448,048	(51,952)
Chloride	85,000	85,000	79,834	(5,166)
Street lighting	50,000	50,000	-	(50,000)
Total expenditures	635,000	635,000	527,882	(107,118)
Net change in fund balances	(308,000)	(308,000)	(151,562)	156,438
Fund balances, beginning of year	1,157,352	1,157,352	1,157,352	-
Fund balances, end of year	\$ 849,352	\$ 849,352	\$ 1,005,790	\$ 156,438

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

Howell Township
Statement of Net Assets
Enterprise Funds
June 30, 2007

	Sewer	Water	Sewer/Water	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,334,513	\$ 2,248,910	\$ 7,058,305	\$ 11,641,728
Accounts receivable	580	4,792	-	5,372
Reserves with County	-	31,214	-	31,214
Special assessments receivable, current portion	305,781	336,780	1,631,452	2,274,013
Unamortized bond issuance costs	181,848	-	86,405	268,253
Total current assets	2,822,722	2,621,696	8,776,162	14,220,580
Noncurrent assets:				
Special assessments receivable, net of current portion	2,253,345	1,216,532	16,093,531	19,563,408
Equity in MHOG	-	10,840,330	-	10,840,330
Capital assets, net	12,233,117	3,247,406	12,669,193	28,149,716
Total noncurrent assets	14,486,462	15,304,268	28,762,724	58,553,454
Total assets	17,309,184	17,925,964	37,538,886	72,774,034
Liabilities				
Current liabilities:				
Accounts payable	58,401	4,314	586,180	648,895
Interest payable	20,538	35,540	146,113	202,191
Due to other funds	553,474	-	-	553,474
Bonds payable, current portion	275,000	75,000	725,000	1,075,000
Leases payable, current portion	-	255,324	-	255,324
Total current liabilities	907,413	370,178	1,457,293	2,734,884
Long-term debt				
Bonds payable, net of current portion	6,939,793	3,150,000	17,070,065	27,159,858
Leases payable, net of current portion	-	1,755,098	-	1,755,098
Installment purchase contract payable	-	-	545,000	545,000
Total long-term debt	6,939,793	4,905,098	17,615,065	29,459,956
Total liabilities	7,847,206	5,275,276	19,072,358	32,194,840
Net assets				
Invested in capital assets, net of related debt	6,827,701	10,857,874	1,387,433	19,073,008
Unrestricted	2,634,277	1,792,814	17,079,095	21,506,186
Total net assets	\$ 9,461,978	\$ 12,650,688	\$ 18,466,528	\$ 40,579,194

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

Howell Township
Statement of Revenues, Expenses and
Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2007

	Sewer	Water	Water/Sewer	Totals
Operating revenue				
Charges for services	\$ 733,621	\$ 178,350	\$ -	\$ 911,971
Other	79,553	-	1,497	81,050
Total operating revenue	813,174	178,350	1,497	993,021
Operating expenses				
Public works	615,732	(1,510)	9,601	623,823
Depreciation	202,288	66,757	124,208	393,253
Total operating expenses	818,020	65,247	133,809	1,017,076
Operating income (loss)	(4,846)	113,103	(132,312)	(24,055)
Nonoperating revenue (expense)				
Special assessments	-	-	8,425,000	8,425,000
Interest revenue	327,432	223,003	735,875	1,286,310
Interest expense	(136,400)	(227,134)	(619,422)	(982,956)
Change in equity of MHOG	-	1,605,064	-	1,605,064
Total nonoperating revenue	191,032	1,600,933	8,541,453	10,333,418
Income before transfers	186,186	1,714,036	8,409,141	10,309,363
Transfers out	(7,000)	-	-	(7,000)
Change in net assets	179,186	1,714,036	8,409,141	10,302,363
Net assets, beginning of year, as restated	9,282,792	10,936,652	10,057,387	30,276,831
Net assets, end of year	<u>\$ 9,461,978</u>	<u>\$ 12,650,688</u>	<u>\$ 18,466,528</u>	<u>\$ 40,579,194</u>

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

Howell Township
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Water/Sewer</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers, residents and users	\$ 1,339,873	\$ 174,264	\$ 1,497	\$ 1,515,634
Cash paid to suppliers	<u>(558,255)</u>	<u>(10,688)</u>	<u>(217,570)</u>	<u>(786,513)</u>
Net cash provided (used) by operating activities	<u>781,618</u>	<u>163,576</u>	<u>(216,073)</u>	<u>729,121</u>
Cash flows from capital and related financing activities				
Proceeds from issuance of long-term debt	5,700,000	-	8,970,000	14,670,000
Payment of debt original issue discount	(76,281)	-	(80,954)	(157,235)
Payment of debt issuance costs	(151,784)	-	-	(151,784)
Payment to refunded bond escrow agent	(4,641,935)	-	-	(4,641,935)
Principal paid on long-term debt	(180,000)	(324,074)	(545,000)	(1,049,074)
Interest payments on long-term debt	(194,489)	(249,980)	(473,309)	(917,778)
Collections on special assessments	176,596	252,435	351,003	780,034
Purchase of capital assets	<u>(658,744)</u>	<u>(20,906)</u>	<u>(6,707,207)</u>	<u>(7,386,857)</u>
Net cash provided by (used in) capital and related financing activities	<u>(26,637)</u>	<u>(342,525)</u>	<u>1,514,533</u>	<u>1,145,371</u>
Cash flows from noncapital financing activities				
Transfers to other funds	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>
Cash flows from investing activities				
Interest income received	<u>327,432</u>	<u>223,003</u>	<u>735,875</u>	<u>1,286,310</u>
Net increase (decrease) in cash and cash equivalents	1,075,413	44,054	2,034,335	3,153,802
Cash and cash equivalents, beginning of year	<u>1,259,100</u>	<u>2,204,856</u>	<u>5,023,970</u>	<u>8,487,926</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,334,513</u></u>	<u><u>\$ 2,248,910</u></u>	<u><u>\$ 7,058,305</u></u>	<u><u>\$ 11,641,728</u></u>

Continued...

Howell Township
Statement of Cash Flows (Concluded)
Enterprise Funds
For the Year Ended June 30, 2007

	Sewer	Water	Water/Sewer	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (4,846)	\$ 113,103	\$ (132,312)	\$ (24,055)
Depreciation	202,288	66,757	124,208	393,253
Amortization of bond issuance costs, discounts and deferred loss on refunding	9,581	-	16,605	26,186
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
(Increase) decrease in:				
Accounts receivable	3,144	(4,792)	-	(1,648)
Reserves with County	523,555	706	-	524,261
Increase (decrease) in:				
Accounts payable	47,896	2,802	(224,574)	(173,876)
Due to other funds	-	(15,000)	-	(15,000)
	\$ 781,618	\$ 163,576	\$ (216,073)	\$ 729,121
Net cash provided (used) by operating activities	\$ 781,618	\$ 163,576	\$ (216,073)	\$ 729,121

Non-cash transactions

During the year, the Township's equity in the Marion, Howell, Ocoola and Genoa Sewer and Water Authority increased \$1,606,064. This transaction did not involve cash.

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

Howell Township
Statement of Fiduciary Net Assets
June 30, 2007

	Trust & Agency Fund	Current Tax Fund	Health Flex	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 165,637	\$ 161	\$ 7,285	\$ 173,083
<u>LIABILITIES</u>				
Liabilities				
Accounts and deposits payable	\$ 158,111	\$ 136	\$ 7,285	165,532
Due to other governments	7,526	25	-	7,551
Total liabilities	\$ 165,637	\$ 161	\$ 7,285	\$ 173,083

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

NOTES to the FINANCIAL STATEMENTS

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Howell Township (the “government” or “Township”) is governed by an elected seven-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 revenues*.

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

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. 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, except for agency funds, which do not have a measurement focus. Revenues are 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 revenues 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government'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 *road special revenue fund* accounts for the collection of property taxes and expenditures related to the extra voted road mileage.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major proprietary funds:

The *sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water enterprise fund* accounts for the activities of the government's water distribution and treatment system.

The *sewer/water enterprise fund* accounts for the activities of the government's joint sewage disposal and water distribution and treatment systems.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

The *agency funds* account for assets held for other governments in an agency capacity.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	30-50
Vehicles	3-30
Equipment	5-15

4. *Compensated absences*

It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

5. *Long-term obligations*

In the government-wide financial statements, and 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.

6. *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.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted at the activity level for the general and special revenue funds each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General Fund -			
Recreation and culture	\$ 4,575	\$ 7,294	\$ 2,719

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 13,953,291

Statement of Fiduciary Net Assets:	
Cash and cash equivalents	<u>173,083</u>

\$ 14,126,374

Classification of Deposits and Investments:	
Bank deposits (checking accounts, savings accounts and CDs)	\$ 14,126,163
Cash on hand	<u>211</u>

\$ 14,126,374

Deposit and investment risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$13,796,905 of the Township's bank balance of \$14,196,905 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, 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. State law does not require and the Township does not have a policy for investment custodial credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township had no investments that required credit risk ratings at year end.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk.

B. Reserves with County

In addition to the balances accumulated in the Township's enterprise funds, there are also monies maintained by the County, which administers certain water and sewer projects for the Township.

The Township's portion of each of the County-maintained funds at June 30, 2007, is as follows:

Construction Funds:

Howell Joint Township Water System	\$ 4,211
Treatment Plant Series "D"	8,476
Treatment Plant Series "E"	<u>18,527</u>
Total reserves	<u>\$ 31,214</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated - land	\$ 25,392	\$ 240,000	\$ -	\$ 265,392
Capital assets being depreciated:				
Buildings and improvements	804,110	-	-	804,110
Furniture and equipment	196,302	14,453	-	210,755
Total capital assets being depreciated	<u>1,000,412</u>	<u>14,453</u>	<u>-</u>	<u>1,014,865</u>
Less accumulated depreciation for:				
Buildings and improvements	134,019	26,804	-	160,823
Furniture and equipment	79,566	17,898	-	97,464
Total accumulated depreciation	<u>213,585</u>	<u>44,702</u>	<u>-</u>	<u>258,287</u>
Total capital assets being depreciated, net	<u>786,827</u>	<u>(30,249)</u>	<u>-</u>	<u>756,578</u>
Governmental activities capital assets, net	<u>\$ 812,219</u>	<u>\$ 209,751</u>	<u>\$ -</u>	<u>\$ 1,021,970</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital assets not being depreciated				
Construction in progress	\$ 3,029,857	\$ 6,707,207	\$ 3,029,857	\$ 6,707,207
Capital assets being depreciated				
Sewer system	12,654,762	698,113	-	13,352,875
Water system	326,470	3,011,394	-	3,337,864
Sewer/Water system	6,210,402	-	-	6,210,402
Total capital assets being depreciated	19,191,634	3,709,507	-	22,901,141
Less accumulated depreciation for:				
Sewer system	917,470	202,288	-	1,119,758
Water system	23,701	66,757	-	90,458
Sewer/Water system	124,208	124,208	-	248,416
Total accumulated depreciation	1,065,379	393,253	-	1,458,632
Total capital assets being depreciated, net	18,126,255	3,316,254	-	21,442,509
Business-type activities capital assets, net	\$ 21,156,112	\$ 10,023,461	\$ 3,029,857	\$ 28,149,716

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

Governmental activities:	
General government	<u>\$ 44,702</u>
Business-type activities:	
Sewer	\$ 202,288
Water	66,757
Sewer/Water	<u>124,208</u>
Total depreciation expense – business-type activities	<u>\$ 393,253</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Payables

Payables (all governmental and business-type activities) are 100 percent vendors.

E. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Business-type Activities:

\$3,375,000 Livingston County Joint Water System – System B due in annual installments of \$175,000 through May 1, 2014, interest at 4.38%	\$ 1,225,000
\$625,000 Livingston County Joint Water System - System D due in annual installments of \$39,352 through June 1, 2016, interest at 5.125% to 5.250%	354,169
\$743,750 Livingston County Joint Water System - Series E due in annual installments of \$40,972 to \$53,472 through June 1, 2016, interest at 5.200% to 5.375%	431,253
\$3,300,000 2004 General Obligation Limited Tax Bonds due in annual installments of \$75,000 to \$275,000 through May 1, 2026, interest at 3.000% to 4.750%	3,225,000
\$9,995,000 2005 Special Assessment Limited Tax Bonds due in annual installments of \$525,000 through May 1, 2025, interest at 3.500% to 5.000%	9,450,000
\$1,835,000 2006 Special Assessment Limited Tax Bonds due in annual installments of \$75,000 to \$100,000 through May 1, 2026, interest at 3.500% to 4.400%	1,815,000

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

\$5,700,000 2006 General Obligation Limited Tax Bonds due in annual installments of \$200,000 to \$420,000 through June 1, 2026, interest at 4.000% to 4.625%	\$ 5,540,000
\$8,425,000 2007 Special Assessment Limited Tax Bonds due in annual installments of \$200,000 to \$600,000 through May 1, 2027, interest at 4.000% to 4.375%	<u>8,425,000</u>
Total Bonds Payable	<u>\$30,465,422</u>

Annual debt service requirements to maturity for bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 1,330,324	\$ 1,303,090	\$ 2,633,414
2009	1,355,324	1,249,823	2,605,147
2010	1,355,325	1,196,874	2,552,199
2011	1,395,325	1,142,391	2,537,716
2012	1,472,824	1,086,114	2,558,938
2013-2017	7,551,300	4,473,085	12,024,385
2018-2022	8,410,000	2,789,310	11,199,310
2023-2027	<u>7,595,000</u>	<u>878,405</u>	<u>8,473,405</u>
	<u>\$ 30,465,422</u>	<u>\$ 14,119,092</u>	<u>\$ 44,584,514</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Advance refunding. On August 1, 2006, the Township issued \$5,700,000 of general obligation limited tax bonds to acquire certain sanitary sewer collection, disposal and treatment facilities (which included \$830,000 of new monies for the expansion of those facilities) by refunding \$4,610,000 of drainage district bonds; heretofore the Drainage District held ownership of the facilities subject to a capital lease agreement with the Township. Accordingly, the net proceeds provided the resources to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the \$4,610,000 of bonds. As a result, the \$4,610,000 bonds are considered to be defeased and the liability has been removed from the business-type activities in the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$31,935. This amount is being netted against the new debt and amortized over the remaining life of the new debt. This acquisition through advance refunding resulted in an increase to future debt service payments of \$1,537,050 and an economic loss of \$57,854; the transaction also resulted in the transfer of ownership to the Township.

Installment purchase contract. The government entered into a purchase installment contract to provide funds in the amount of \$545,000 for the Township's portion of the Lambert Road pump station. This loan is expected to be repaid from the sewer fund. Repayment is due in annual installments ranging from \$30,000 to \$68,571 through September 1, 2016 with interest at 3.950%.

Annual debt service requirements to maturity for the installment purchase contract are as follows:

Year Ended			
June 30	Prinicipal	Interest	Total
2008	\$ -	\$ 25,714	\$ 25,714
2009	30,000	20,932	50,932
2010	35,000	19,651	54,651
2011	68,571	17,606	86,177
2012	68,571	14,897	83,468
2013-2016	342,858	33,860	376,718
	\$ 545,000	\$ 132,660	\$ 677,660

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities -					
Compensated absences	\$ 22,388	\$ -	\$ 2,613	\$ 19,775	\$ -
Business-type activities:					
General obligation bonds	\$ 21,999,496	\$ 14,125,000	\$ (5,659,074)	\$ 30,465,422	\$ 1,330,324
Deduct deferred amounts:					
For issuance costs	(42,678)	(157,235)	10,108	(189,805)	-
On refunding	-	(31,934)	1,597	(30,337)	-
Installment purchase contract	-	545,000	-	545,000	-
Total business-type activities	\$ 21,956,818	\$ 14,480,831	\$ (5,648,966)	\$ 30,790,280	\$ 1,330,324

For the governmental activities, compensated absences are liquidated by the general fund.

F. Interfund receivables, payables and transfers

At June 30, 2007, interfund receivables and payables were as follows:

Fund	Receivable	Payable
Sewer enterprise	\$ -	\$ 553,474
Nonmajor governmental funds	553,474	-
	\$ 553,474	\$ 553,474

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2007, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ 7,000	\$ -
Sewer enterprise	-	7,000
	<u>\$ 7,000</u>	<u>\$ 7,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

G. Lease commitment

As of June 30, 2007, the Township entered into an agreement to lease a Doc-Star Scanning System for a period of two years. The Township is committed to payments of \$13,776 for each of these years until April 2009.

H. Joint ventures

Marion, Howell, Oceola and Genoa Sewer and Water Authority

The Township is a member of the Marion, Howell, Oceola and Genoa Sewer and Water Authority (the "Authority" or "MHOG"). The Authority was incorporated by the townships of Marion, Howell, Oceola and Genoa. The Authority is responsible for the operations of the joint water systems. Howell Township's equity in this joint venture as of June 30, 2007 is \$10,840,330 which is recorded in the water fund and on the government-wide statement of net assets. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Marion, Howell, Oceola and Genoa Sewer and Water Authority can be obtained from the administrative offices at the Township of Oceola, Livingston County, Michigan. Authority balances as of September 30, 2006 are as follows:

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Total assets	\$ 43,806,453
Total liabilities	445,135
Total net assets	43,361,318
Total revenue	2,024,767
Total expenses	2,256,129

Howell Area Fire Authority

The Township is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township and Howell Township (the "Municipalities") for the purpose of providing fire protection and other emergency health and safety services to the Municipalities. The Township appoints a member to the joint venture's governing board, which approves the annual budget. During the prior fiscal year, the funding for the Authority changed from contributions from the Municipalities to a dedicated taxpayer-approved millage. The Township's equity interest in the joint venture at June 30, 2007 is \$431,490 which is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the foreseeable future. Complete financial statements of the Authority can be obtained from the administrative offices at the Township of Howell, Michigan. Authority balances as of June 30, 2007 are as follows:

Total assets	\$ 2,113,425
Total liabilities	74,248
Total net assets	2,039,177
Total revenue	2,223,718
Total expenses	1,966,204

IV. OTHER INFORMATION

A. Property taxes

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the general fund and road special revenue fund reflect the 2006 Township levies of .8931 mills and .9496 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$329,020,388. The 2006 levy became a lien on properties on December 1, 2006, and was substantially collected in early 2006. Taxes became delinquent on March 1, 2007.

B. Defined contribution pension plan

The Howell Township Pension Plan provides pension benefits for all Township officials and all other employees who work at least 24 hours per week on a regular basis, and who choose to belong to the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's accounts and the returns on the investments of those contributions.

As established by the Township Board, the Township contributes 15 percent of employees' gross earnings. Additionally, participants may contribute up to 10 percent of gross earnings on an after tax basis. In accordance with these requirements, the Township contributed \$70,760 during the year. No amounts were contributed by the participants.

C. Restatements

Beginning net assets of the sewer and water enterprise funds were reduced by \$6,999,865 and \$3,057,522, respectively, and used to set up beginning net assets of \$10,057,387 in a new water/sewer enterprise fund. These restatements had no effect on the beginning net assets of the business-type activities.

* * * * *

**COMBINING FUND FINANCIAL
STATEMENTS**

Howell Township
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		
	Township Improvement	Parks and Recreation	Total
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 205,835	\$ 20,222	\$ 226,057
Due from other funds	553,474	-	553,474
<u>TOTAL ASSETS</u>	\$ 759,309	\$ 20,222	\$ 779,531
<u>FUND BALANCES</u>			
Fund balances			
Unreserved, undesignated	\$ 759,309	\$ 20,222	\$ 779,531

Howell Township
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Township Improvement</u>	<u>Parks and Recreation</u>	<u>Total</u>
Revenue			
Interest and other revenue	\$ 8,027	\$ 356	\$ 8,383
Expenditures			
Current:			
Recreation and culture	-	6,183	6,183
Capital outlay	-	23,500	23,500
Total expenditures	-	29,683	29,683
Net change in fund balances	8,027	(29,327)	(21,300)
Fund balances, beginning of year	751,282	49,549	800,831
Fund balances, end of year	<u>\$ 759,309</u>	<u>\$ 20,222</u>	<u>\$ 779,531</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



November 20, 2007

To the Board of Trustees of
Howell Township
Howell, Michigan

We have audited the financial statements of **Howell Township** for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated July 11, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Howell Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Howell Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Howell Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Howell Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, the audit adjustments described in the accompanying memorandum, indicate matters that could have a significant effect on Howell Township' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Howell Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Howell Township

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of Howell Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

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 certain deficiencies, as described below, constitute material weaknesses.

Significant Deficiencies

Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Howell Township

Comments and Recommendations

For the Year Ended June 30, 2007

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks *internal* controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its *external* auditors for assistance with this task.

**View of
Responsible**

Officials: The Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Material Weaknesses

Audit Adjustments

Criteria: The government is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Several significant adjustments were necessary to agree key accounts to their proper underlying balances.

Cause: Internal controls did not detect all adjustment necessary to properly record year-end adjustments in the current year.

Effect: As a result of this condition, the government is not able to produce accurate financial information.

**View of
Responsible**

Officials: The Township will ensure that all general ledger accounts reconcile to their proper underlying balances during the next fiscal year.

Howell Township
Comments and Recommendations
For the Year Ended June 30, 2007

Other Matters

Internal Controls – Segregation of Duties

Last year we made a broad comment regarding separation or segregation of duties. That comment is still applicable, but is supplemented with the following specific matters that existed as of TBD:

- Petty cash reimbursements are not periodically reviewed or reconciled by an individual other than the custodian.
- New vendors are not approved by someone other than the individual responsible for processing accounts payable
- Before running payroll checks, a payroll register is not reviewed and approved by an authorized individual not responsible for preparing checks.

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