

TOWNSHIP OF HORTON
OGEMAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

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 Horton Township	County Ogemaw
Fiscal Year End March 31, 2007	Opinion Date July 6, 2007	Date Audit Report Submitted to State September 5, 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) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State Zip MI 49686
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA		License Number 11050

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Township of Horton
Organization
March 31, 2007

Township Officials

Karen Michael	Supervisor
Patricia Rohrer	Clerk
Jerry Wolf	Treasurer
Jerry Lehman	Trustee
Alfred Zettel	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Horton
Ogemaw County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Horton, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Horton, Michigan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Township of Horton
Independent Auditors' Report
Page Two

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Horton, Michigan, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Standish, CPA, PC

July 6, 2007

BASIC FINANCIAL STATEMENTS

Township of Horton
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 46,881
Investments	201,711
Taxes receivable	3,394
Prepaid insurance	1,292
Due from other funds	45,998
Capital assets (net of accumulated depreciation):	
Buildings & improvements	<u>55,379</u>
Total Assets	<u>354,655</u>
 LIABILITIES	
Accounts payable	<u>1,005</u>
 NET ASSETS	
Unrestricted	<u>353,650</u>
Total net assets	<u><u>\$ 353,650</u></u>

See notes to financial statements

Township of Horton
Statement of Activities
For The Year Ended March 31, 2007

	Program Revenues			
Programs	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative:				
Township board	\$ 13,025	\$	\$	\$
General Government:				
Supervisor	8,082			
Elections	3,313			
Clerk	7,542			
Assessor	11,005			
Board of review	1,232			
Treasurer	8,731			
Township hall	16,588			
Public Safety:				
Fire	2,199			
Public Works:				
Roads	28,608		2,228	
Street lighting	<u>1,220</u>	<u> </u>	<u> </u>	<u> </u>
 Total governmental activities	 <u>\$101,545</u>	 <u>\$ </u>	 <u>\$ 2,228</u>	 <u> </u>

General revenues:
Property taxes
Licenses & permits
State aid
Interest earnings
Rents
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental
Activities

\$ (13,025)

(8,082)

(3,313)

(7,542)

(11,005)

(1,232)

(8,731)

(16,588)

(2,199)

(26,380)

(1,220)

(99,317)

32,660

756

72,839

11,160

4,385

823

122,623

23,306

330,344

\$ 353,650

Township of Horton
 Balance Sheet
 Governmental Funds
 March 31, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 46,881
Investments	201,711
Taxes receivable	3,394
Prepaid insurance	1,292
Due from other funds	<u>45,998</u>
Total assets	<u>\$ 299,276</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 1,005</u>
Total liabilities	<u>1,005</u>
Fund balance:	
Unreserved:	
General fund	<u>298,271</u>
Total fund balance	<u>298,271</u>
Total liabilities and fund balance	<u>\$ 299,276</u>

See notes to financial statements

Township of Horton
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2007

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

Total Fund Balance - Governmental Funds \$ 298,271

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of capital assets	120,044
Accumulated depreciation	<u>(64,665)</u>

Total Net Assets - Governmental Activities \$ 353,650

See notes to financial statements

Township of Horton
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2007

	<u>General Fund</u>
REVENUES	
Taxes & administration fees	\$ 32,660
Licenses & permits	756
Intergovernmental revenue from state:	
State revenue sharing	68,375
Swamp land taxes	4,464
Metro Act	2,228
Interest earnings	11,160
Rents	4,385
Miscellaneous	<u>823</u>
Total revenues	<u>124,851</u>
EXPENDITURES	
Current:	
Legislative	13,025
General government	53,443
Public safety	2,199
Public works	29,828
Capital outlay	<u>5,892</u>
Total expenditures	<u>104,387</u>
Net change in fund balance	20,464
Fund balance - beginning of year	<u>277,807</u>
Fund balance - end of year	<u>\$ 298,271</u>

See notes to financial statements

Township of Horton
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For The Year Ended March 31, 2007

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

Total net change in fund balance - governmental funds	\$ 20,464
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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. This is the amount by which capital outlays exceeded (did not exceed) depreciation in the current period.

Capital outlay	5,892
Depreciation expense	<u>(3,050)</u>

Change in net assets of governmental activities	<u>\$ 23,306</u>
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See notes to financial statements

Township of Horton
 General Fund
 Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 - Budget and Actual
 For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes & adm. fees	\$ 31,315	\$ 31,315	\$ 32,660	\$ 1,345
Licenses & permits	126	126	756	630
Intergovernmental revenue from state:				
State revenue				
sharing	68,000	68,000	68,375	375
Swamp land taxes	4,464	4,464	4,464	
Metro Act	3,180	3,180	2,228	(952)
Interest earnings	600	600	11,160	10,560
Rents	5,080	5,080	4,385	(695)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>823</u>	<u>(4,177)</u>
Total revenues	<u>117,765</u>	<u>117,765</u>	<u>124,851</u>	<u>7,086</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	18,500	18,500	13,025	5,475
General government:				
Supervisor	7,780	7,780	8,082	(302)
Elections	3,400	3,400	3,313	87
Clerk	7,956	7,956	7,542	414
Assessor	11,966	11,966	11,005	961
Board of review	1,250	1,250	1,232	18
Treasurer	8,739	8,739	8,731	8
Township hall	18,041	18,041	13,538	4,503
Public safety:				
Fire	14,173	14,173	2,199	11,974
Public works:				
Roads	35,000	35,000	28,608	6,392
Street lighting	1,100	1,100	1,220	(120)
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>5,892</u>	<u>14,108</u>
Total				
expenditures	<u>147,905</u>	<u>147,905</u>	<u>104,387</u>	<u>43,518</u>

Township of Horton
 General Fund
 Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 - Budget and Actual
 For the Year Ended March 31, 2007
 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Net change in fund balance	(30,140)	(30,140)	20,464	50,604
Fund balance - beginning	<u>260,083</u>	<u>260,083</u>	<u>277,807</u>	<u>17,724</u>
Fund balance - ending	<u>\$229,943</u>	<u>\$ 229,943</u>	<u>\$298,271</u>	<u>\$ 68,328</u>

See notes to financial statements

Township of Horton
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2007

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>45,998</u>
Total Assets	<u>45,998</u>
 LIABILITIES	
Due to other funds	<u>45,998</u>
 NET ASSETS	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Township of Horton
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2007

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections and fees	\$ 823,486
Total additions	<u>823,486</u>
DEDUCTIONS	
Transfer to General Fund	32,660
Payments to other governmental units	<u>790,826</u>
Total deductions	<u>823,486</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u>\$ <u> </u></u>

See notes to financial statements

Township of Horton
Notes to the Basic Financial Statements
March 31, 2007

I: Summary of significant accounting policies

The financial statements of the Township of Horton (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

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 nonfiduciary activities of the Township. For the most part, the effect of the 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 Township has no business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns

in the 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 fiduciary fund financial statements. 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 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 provided 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 Township 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 are recorded only when a payment is due.

Property taxes, interest, and charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Ogemaw County, which advances the Township 100% for the delinquent taxes.

The 2006 taxable valuation of the Township totaled \$30,079,280, on which ad valorem taxes levied consisted of .7987 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$8,578 to collect the taxes and applicable interest.

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 Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

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

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated two banks for the deposit of Township funds.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Inventories

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

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Building improvements	15
Equipment	5

7. *Compensated absences*

The Township does not have a compensated absence policy.

8. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

9. *Fund Balance*

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. *Use of Estimates*

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II: Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year

end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

During the year ended March 31, 2007, expenditures exceeded appropriations in the activities of street lighting (the legal level of budgetary control) of the general fund by \$120. This overexpenditure was funded by the available fund balance in the general fund.

III: Detail notes on transaction classes/accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

A. Cash and Investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	<u>Total Bank</u>	<u>Custody Credit Risk</u>			<u>Total</u>
	<u>Balance</u>	<u>Category</u>	<u>Category</u>	<u>Category</u>	<u>Carrying</u>
		<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Demand					
deposits	\$ 53,927	\$ 53,927	\$	\$	\$ 50,705
Savings	<u>42,174</u>	<u>42,174</u>			<u>42,174</u>
Total	<u>\$ 96,101</u>	<u>\$ 96,101</u>	<u>\$</u>	<u>\$</u>	<u>\$ 92,879</u>

Investments

The Township's policies and applicable laws regarding investments are discussed in Note 1. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Township (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Township or its agent in the Township's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Township's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Township's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificate of deposits	<u>\$201,711</u>	<u>\$</u>	<u>\$</u>	<u>\$201,711</u>	<u>\$201,711</u>

A reconciliation of cash as shown on the statement of net assets follows:

Carrying amount of deposits:	
General fund checking	\$ 4,707
General fund savings	42,174
Agency fund-tax collection checking	<u>45,998</u>
Total	<u>\$ 92,879</u>

Cash and cash equivalents:	
Governmental funds	\$ 50,102
Governmental funds - checks written in excess of deposits	(3,221)
Agency fund	<u>45,998</u>
Total	<u>\$ 92,879</u>

B. Receivables

The County of Ogemaw owes the Township delinquent taxes of \$3,394.

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Township hall	\$ 114,152	\$	\$	\$ 114,152
Building & grounds improvements	<u> </u>	<u>5,892</u>	<u> </u>	<u>5,892</u>
Subtotal	<u>114,152</u>	<u>5,892</u>	<u> </u>	<u>120,044</u>
Less accumulated depreciation for:				
Township hall	(61,615)	(2,854)		(64,469)
Building & grounds Improvements	<u> </u>	<u>(196)</u>	<u> </u>	<u>(196)</u>
Subtotal	<u>(61,615)</u>	<u>(3,050)</u>	<u> </u>	<u>(64,665)</u>
Net capital assets being depreciated	<u>52,537</u>	<u>2,842</u>	<u> </u>	<u>55,379</u>
Governmental activities capital assets-net of depreciation	<u>\$ 52,537</u>	<u>\$ 2,842</u>	<u>\$</u>	<u>\$ 55,379</u>

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

Governmental activities:	
General government	<u>\$3,050</u>
Total depreciation expense - governmental activities	<u>\$3,050</u>

IV. Other information

A: Risk management

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

B: Pension plan

The Township began a money purchase pension plan is with Travelers Insurance Co. and began July 1, 1991. Pension expense for the fiscal year ended March 31, 2007, was \$1,836.

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of Horton
West Branch, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

July 6, 2007