Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	WESTERN WASHTENAW CONST. AUTH.	WASHTENAW

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
06/30/06	11/18/06	12/1/06

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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Markowski & Company, CPAs	517-782-9351		
Street Address	**City**	**State**	**Zip**
2880 Spring Arbor Road	Jackson	MI	49203
Authorizing CPA Signature	**Printed Name**	**License Number**	
Ronald L Markowski	Ronald L Markowski	1101006941	

WESTERN WASHTENAW CONSTRUCTION AUTHORITY

AUDITED FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2006

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2006

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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Authority Board
Western Washtenaw Construction Authority
Washtenaw County, Michigan

We have audited the financial statements of the Western Washtenaw Construction Authority as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority'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 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Washtenaw Construction Authority as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, required supplementary information, and additional information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Authority Board
Western Washtenaw Construction Authority
Washtenaw County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The schedules described in the accompanying 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

Markowski & Company

MARKOWSKI & COMPANY, CPAs
November 18, 2006

Management's Discussion and Analysis

Using this Annual Report

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Construction Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authorities operations in more detail then the government-wide financial statements.

The Construction Authority as a Whole

Net assets decreased for the year ended June 30, 2006.

Current assets increased for the year as monies were collected for performance bonds and deferred revenues and had not been released or earned June 30, 2006.

The overall financial position of the Authority remains stable.

In a condensed format, the table below shows the statement of net assets as of June 30, 2006:

	Governmental Activities	
	2006	2005
Current Assets	$ 137,544	$ 131,761
Current Liabilities	14,744	9,253
Non-current Liabilities	26,288	22,490
Total Liabilities	41,032	31,743
Net Assets		
Unrestricted	$ 96,512	$ 100,018

Management Discussion and Analysis

Revenues continue to decrease as construction continues to slow as the economy continues to be lackluster. The major builders and subdivision developer's activities have been reduced significantly as other single family homes continue to decline. The number of permits issued in the fiscal year was 717, of which only 41 were for single-family homes or condo units.

Expenditures have increased due to higher personal costs and inspection fees.

The following table shows the changes of the net assets of June 30, 2006:

	Governmental Activities	
	2006	2005
Program revenues	$ 118,432	$ 121,783
Interest income	2,942	2,195
Other revenues	594	125
	121,968	124,103
Program expenses	125,474	117,265
Change in net assets	$ (3,506)	$ 6,838

The Authority's Funds

The Construction Authority fund financial statements provide detailed information about the governmental services provided. The Western Washtenaw Construction Authority is an interlocal agency created for the purpose of combining the building and trade permits with soil erosion and sedimentation control permits. The most significant expenses are personal services and fees paid to inspectors. Hiring and training of new personnel in the last fiscal year resulted in an increase of expenditures for labor and training. Due to a decrease in the number of permits purchased, additional time is available for follow up on expiring permits. This reduces the number of permits that expire, and are archived without inspections, but increases the inspection expenses.

The Soil Erosion program is becoming firmly established. The funds are proving to be adequate to cover the costs of the program. One change was made into commercial gravel extraction operations to make the expenditures not greater than the income. It will continue to be evaluated in the future.

General Fund Budgetary Highlights

Over the course of the year, the Authority's Board amended the budget to take into account events during the year. The only changes resulted in some expenditures actually costing more than initially estimated in the original budget. These changes were very minor. Actual results came in very closely to budget amounts.

Capital Assets

At the end of 2006, the Authority had no amounts invested in capital assets. The Authority's capitalization policy is to expense items purchased for less than $1,000. The Authority had no capital items that have exceeded $1,000.

Economic Factors and Next Year's Budget

The Authority's inspection responsibilities continue even with the downturn in the economy. Wise purchasing decisions, along with maximizing the finances of the Authority, will continue while maintaining the current level of services. The next fiscal year will include an investment in a new copier.

Contacting the Authorities Management

This financial report is intended to provide our customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office located at 912 City Road, Manchester, Michigan 48158.

WESTERN WASHTENAW CONSTRUCTION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL FUND	RECONCILING ITEMS	STATEMENT OF NET ASSETS
ASSETS:			
Cash and cash equivalents	$ 137,544	$ -	$ 137,544
LIABILITIES:			
Accounts payable	$ 5,240	$ -	$ 5,240
Accrued payroll	692	-	692
Accrued leave payable	-	1,292 (a)	1,292
Accrued expenses	1,620	-	1,620
Performance bonds	5,900	-	5,900
Deferred revenue - Permits	26,288	-	26,288
Total liabilities	39,740	1,292	41,032
FUND BALANCES:			
Undesignated	97,804		
Total liabilities and fund balance	$ 137,544		
NET ASSETS:			
Unrestricted		(1,292)	96,512
Total net assets		$ (1,292)	$ 96,512

(a) Accrued Leave is not recognized in the governmental fund financial statements. The government-wide statement of net assets include such obligations.

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

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	GOVERNMENTAL FUNDS	RECONCILING ITEMS	STATEMENT OF NET ASSETS
REVENUES			
Permits	$ 114,751	$ -	$ 114,751
Interest income	2,942	-	2,942
Soil Erosion	3,681		3,681
Other income	594	-	594
Total revenues	121,968	-	121,968
EXPENDITURES			
Personal services	41,877	62 (a)	41,939
Inspections	67,245	-	67,245
Insurance	2,340	-	2,340
Professional fees	2,600	-	2,600
Office supplies	3,847	-	3,847
Office rent	4,800	-	4,800
Telephone	1,309	-	1,309
Postage	260	-	260
Soil Erosion Inspections	652	-	652
Miscellaneous	482	-	482
Total expenditures	125,412	62	125,474
EXCESS OF REVENUE OVER EXPENDITURES	(3,444)	(62)	(3,506)
FUND BALANCES, BEGINNING OF YEAR	101,248	-	100,018
FUND BALANCES, END OF YEAR	$ 97,804	$ (62)	$ 96,512

(a) Accrued Leave time is not recorded in governmental fund financial statements; The statement of net assets recognizes the expense as it is accrued for the year ended June 30, 2006 was $62.

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

WESTERN WASHTENAW CONSTRUCTION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
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JUNE 30, 2006

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The accounting methods and procedures adopted by the Western Washtenaw Construction Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by Western Washtenaw Construction Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF AUTHORITY OPERATIONS -

The Western Washtenaw Construction Authority was organized in January 2000 and is located in the southwestern portion of Washtenaw County. The Authority operates under an operating agreement between the Village of Manchester and the Townships of Manchester, Freedom and Bridgewater to provide for the permit issuance, inspection and administration of construction codes and other municipal ordinances.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of the Western Washtenaw Construction Authority include its primary government.

C. BASIC FINANCIAL STATEMENTS -

The basic financial statements report information on all activities of the Western Washtenaw Construction Authority. The Authority's activities are normally supported by fees charged for services rendered.

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.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority 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. All other revenue items are considered to be available only when cash is received by the government.

The Authority reports the following governmental fund:

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.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided.

E. CASH AND CASH EQUIVALENTS -

The Authority has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested in a savings account.

F. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit. Prepaid expenses are comprised of rent paid in advance.

G. CAPITAL ASSETS -

The Authority's capitalization policy requires items to cost greater than $1,000 to be capitalized. For the year ended June 30, 2006 the Authority had no items that exceeded that threshold.

H. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION -

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by line items. The legal level of budgetary control adopted by the governing body is the line item level.

BUDGET VIOLATIONS -

During the year, the Authority had no violations.

NOTE 3 - CASH AND INVESTMENTS:

The Authority is authorized by state law and a resolution from the Board to invest surplus funds as follows:

1) Bonds or other direct obligations of the United States.
2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
4) United States government or federal agency obligations repurchase agreements.
5) Bankers' acceptances of United States banks.
6) Mutual funds composed of investment vehicles which are legal for direct investments by the Authority.

The captions on the combined balance sheets relating to cash are as follows:

CARRYING AMOUNT:	GOVERNMENTAL ACTIVITES
Cash	$ 137,544

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT:

The Authority's capitalization policy is to capitalize items that cost greater than $1,000. For the year ended June 30, 2006 the Authority had no items that exceeded the $1,000 threshold.

NOTE 5 – RENTS:

The Authority signed an operating lease with the Village of Manchester for use of Authority facilities. The agreement is on a month to month term. The Authority pays $400 monthly. The amount of rent paid for the year ended June 30, 2006 is $4,800.

NOTE 6 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Authority has purchased commercial insurance for claims.

WESTERN WASHTENAW CONSTRUCTION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:				
Permits and fees	134,000	134,000	114,751	(19,249)
Interest income	1,800	1,800	2,942	1,142
Soil Erosion	2,000	2,000	3,681	1,681
Other income	500	500	594	94
Total revenues	138,300	138,300	121,968	(16,332)
EXPENDITURES:				
Personal services	45,000	45,000	41,877	3,123
Inspections	68,000	68,000	67,245	755
Insurance	3,000	3,000	2,340	660
Professional fees	3,300	3,300	2,600	700
Office supplies	3,500	4,100	3,847	253
Office rent	4,800	4,800	4,800	-
Telephone	1,500	1,500	1,309	191
Postage	500	500	260	240
Soil erosion inspections	1,200	1,200	652	548
Miscellaneous	1,000	1,000	482	518
Contingencies	2,000	1,400	-	1,400
Total expenditures	133,800	133,800	125,412	8,388
Net change in fund balance	$ 4,500	$ 4,500	$ (3,444)	$ (7,944)

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

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ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

November 18, 2006
Authority Board
Western Washtenaw Construction Authority

We have audited the financial statements of Western Washtenaw Construction Authority for the year ended June 30, 2006, and have issued our report thereon dated November 18, 2006. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 9, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic 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 of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Western Washtenaw Construction Authority. 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 has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Western Washtenaw Construction Authority 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 fiscal year ended June 30, 2006. We noted no transactions entered into by Western Washtenaw Construction Authority 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.

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 the Western Washtenaw Construction Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Western Washtenaw Construction Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Western Washtenaw Construction Authority's 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 the Western Washtenaw Construction Authority'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 significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Authority Board and management of Western Washtenaw Construction Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Markowski & Company

MARKOWSKI & COMPANY, CPAs

WESTERN WASHTENAW CONSTRUCTION AUTHORITY
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006

Segregation of Duties

Because of the limited size of the Western Washtenaw Construction Authority's accounting staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Authority. Authority management needs to continue to exercise appropriate management oversight to help compensate for the lack of staff. The only corrective action would be to hire additional staff, which is not practical.

Petty Cash

During our audit we found that petty cash was not being reconciled correctly. We found that receipts were not being kept and attached to the petty cash reimbursement check. We recommend that when cash is taken from petty cash it is replaced by a receipt in that amount and the receipt is then attached to the check reimbursing petty cash.

Credit Card Use

We found that payments of the Authority's credit card did not include original receipts attached to the credit card statement. We recommend that all original charge receipts be kept and attached as the credit card statement is paid. We examined credit card statements and found no items that we considered to be questionable, only that original receipts were not present.