

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 Township of Salem	County Allegan
Fiscal Year End June 30, 2007	Opinion Date October 24, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

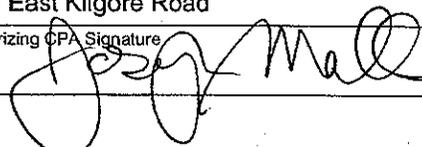
We are certified public accountants licensed to practice in Michigan.

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 | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 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. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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 type="checkbox"/>	Not Required
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
		Zip 49002
Authorizing CPA Signature 	Printed Name Joseph M Walls	License Number 1101013696

Township of Salem
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2007

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Notes to financial statements	8 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	14 - 15
Road Fund	16
Fire Fund	17
Library Fund	18

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Salem, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Salem, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Salem, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 respective financial position of the governmental activities and each major fund of the Township of Salem, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on pages 14 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Salem, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

October 24, 2007



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Salem
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 967,978
Receivables, net	114,404
Prepaid expenses	<u>12,224</u>
Total current assets	<u>1,094,606</u>
Noncurrent assets:	
Capital assets not being depreciated - land	95,800
Capital assets, net of accumulated depreciation	<u>2,668,886</u>
Total noncurrent assets	<u>2,764,686</u>
Total assets	<u>3,859,292</u>
LIABILITIES	
Current liabilities - payables	<u>49,071</u>
NET ASSETS	
Invested in capital assets	2,764,686
Restricted for:	
Public safety	179,315
Public works	517,262
Recreation and culture	134,463
Unrestricted, unallocated	<u>214,495</u>
Total net assets	<u>\$ 3,810,221</u>

See notes to financial statements

Township of Salem
BALANCE SHEET - governmental funds
 June 30, 2007

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
ASSETS					
Cash	\$ 150,304	\$ 517,262	\$ 168,706	\$ 131,706	\$ 967,978
Receivables	101,038	-	10,609	2,757	114,404
Prepaid expenses	<u>12,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,224</u>
Total assets	<u>\$ 263,566</u>	<u>\$ 517,262</u>	<u>\$ 179,315</u>	<u>\$ 134,463</u>	<u>\$1,094,606</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 49,071	\$ -	\$ -	\$ -	\$ 49,071
Fund balances - unrestricted, undesignated	<u>214,495</u>	<u>517,262</u>	<u>179,315</u>	<u>134,463</u>	<u>1,045,535</u>
Total liabilities and fund balances	<u>\$ 263,566</u>	<u>\$ 517,262</u>	<u>\$ 179,315</u>	<u>\$ 134,463</u>	<u>\$1,094,606</u>

Total fund balances - total governmental funds \$ 1,045,535

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,764,686

Net assets of governmental funds \$3,810,221

Township of Salem

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended June 30, 2007

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
REVENUES					
Taxes	\$ 107,378	\$ 575,835	\$ 75,862	\$ 40,429	\$ 799,504
Licenses and permits	84,369	-	-	-	84,369
Federal grants	-	-	31,246	-	31,246
State grants	297,504	-	-	2,756	300,260
Charges for services	28,559	-	-	3,817	32,376
Fines and forfeitures	-	-	-	26,362	26,362
Interest and rentals	32,153	15,202	5,452	5,427	58,234
Other	37,106	144	-	3,970	41,220
Total revenues	<u>587,069</u>	<u>591,181</u>	<u>112,560</u>	<u>82,761</u>	<u>1,373,571</u>
EXPENDITURES					
Legislative	5,960	-	-	-	5,960
General government	169,625	-	-	-	169,625
Public safety	183,336	-	3,862	-	187,198
Public works	65,815	335,928	-	-	401,743
Health and welfare	8,001	-	-	-	8,001
Community and economic development	41,301	-	-	-	41,301
Recreation and culture	66,140	-	-	42,892	109,032
Capital outlay	50,199	-	21,755	6,196	78,150
Total expenditures	<u>590,377</u>	<u>335,928</u>	<u>25,617</u>	<u>49,088</u>	<u>1,001,010</u>
NET CHANGE IN FUND BALANCES	(3,308)	255,253	86,943	33,673	372,561
FUND BALANCES - BEGINNING	<u>217,803</u>	<u>262,009</u>	<u>92,372</u>	<u>100,790</u>	<u>672,974</u>
FUND BALANCES - ENDING	<u>\$ 214,495</u>	<u>\$ 517,262</u>	<u>\$ 179,315</u>	<u>\$ 134,463</u>	<u>\$ 1,045,535</u>

Net change in fund balances - total governmental funds \$ 372,561

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:	
Assets acquired	426,826
Provision for depreciation	<u>(192,202)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 607,185</u>

See notes to financial statements

Township of Salem
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Salem, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) *Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) *Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

c) *Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, 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 only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the construction and maintenance of Township roads. Revenues are primarily derived from property taxes.

The Fire Fund accounts for the purchase and acquisition of fire department equipment. Revenues are primarily derived from property taxes.

The Library Fund accounts for the activities of the Township's public library. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do no conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) *Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All receivables are considered to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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

d) *Assets, liabilities, and net assets or equity* (continued):

- iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets, other than infrastructure, with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Allegan.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	40 years
Buildings and improvements	40 years
Equipment	5 - 10 years
Vehicles	5 - 20 years
Shared road costs	20 years

- v) *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.
- vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

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 fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the function level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. All annual appropriations lapse at the end of the fiscal year. The Township experienced no significant budget variances during the fiscal year.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. At June 30, 2007, \$856,211 of the Township's bank balances of \$968,283 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 14,118	\$ 86,920	\$ 101,038
Fire	-	10,609	10,609
Library	1,385	1,372	2,757
Totals	<u>\$ 15,503</u>	<u>\$ 98,901</u>	<u>\$ 114,404</u>

All receivables are due within one year.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset 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>
Governmental activities:				
Capital assets not being depreciated - land	\$ 95,800	\$ -	\$ -	\$ 95,800
Capital assets being depreciated:				
Land improvements	98,034	-	-	98,034
Buildings and improvements	956,419	6,196	-	962,615
Equipment	301,793	84,914	-	386,707
Vehicles	607,625	-	-	607,625
Roads	<u>1,386,053</u>	<u>335,716</u>	<u>-</u>	<u>1,721,769</u>
Subtotal	<u>3,349,924</u>	<u>426,826</u>	<u>-</u>	<u>3,776,750</u>
Less accumulated depreciation for:				
Land improvements	(11,888)	(4,902)	-	(16,790)
Buildings and improvements	(393,992)	(24,086)	-	(418,078)
Equipment	(109,052)	(34,435)	-	(143,487)
Vehicles	(307,360)	(30,221)	-	(337,581)
Roads	<u>(93,370)</u>	<u>(98,558)</u>	<u>-</u>	<u>(191,928)</u>
Subtotal	<u>(915,662)</u>	<u>(192,202)</u>	<u>-</u>	<u>(1,107,864)</u>
Total capital assets being depreciated, net	<u>2,434,262</u>	<u>234,624</u>	<u>-</u>	<u>2,668,886</u>
Governmental activities capital assets, net	<u>\$ 2,530,062</u>	<u>\$ 234,624</u>	<u>\$ -</u>	<u>\$ 2,764,686</u>

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

Governmental activities:	
General government	\$ 26,076
Public safety	44,769
Public works	98,558
Recreation and culture	<u>22,799</u>
Total governmental activities	<u>\$ 192,202</u>

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 12,076	\$ 30,247	\$ 6,748	\$ 49,071

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, is as follows:

Revenues	\$ 56,934
Expenses	<u>57,199</u>
Deficiency of revenues over expenses	\$ <u>(265)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Salem

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 102,778	\$ 107,420	\$ 107,378	\$ (42)
Licenses and permits	108,912	95,000	84,369	(10,631)
State grants	303,201	312,616	297,504	(15,112)
Charges for services	22,865	28,565	28,559	(6)
Interest and rentals	19,733	36,450	32,153	(4,297)
Other	<u>19,800</u>	<u>44,500</u>	<u>37,106</u>	<u>(7,394)</u>
Total revenues	<u>577,289</u>	<u>624,551</u>	<u>587,069</u>	<u>(37,482)</u>
EXPENDITURES				
Legislative	<u>6,024</u>	<u>6,024</u>	<u>5,960</u>	<u>64</u>
General government:				
Supervisor	17,640	17,741	17,701	40
Election	3,935	3,935	3,455	480
Assessor	13,352	13,352	12,995	357
Clerk	14,675	14,780	14,681	99
Board of review	750	750	732	18
Treasurer	15,070	14,965	14,713	252
Hall and grounds	29,082	33,182	28,680	4,502
Cemetery	11,186	11,996	14,398	(2,402)
Other	<u>59,859</u>	<u>63,514</u>	<u>62,270</u>	<u>1,244</u>
Total general government	<u>165,549</u>	<u>174,215</u>	<u>169,625</u>	<u>4,590</u>
Public safety:				
Police	67,776	67,776	62,990	4,786
Fire	63,000	63,000	63,147	(147)
Building inspections	<u>80,000</u>	<u>60,000</u>	<u>57,199</u>	<u>2,801</u>
Total public safety	<u>210,776</u>	<u>190,776</u>	<u>183,336</u>	<u>7,440</u>
Public works:				
Highways and streets	32,600	37,110	40,372	(3,262)
Street lights	2,840	5,050	5,077	(27)
Transfer station	18,139	19,594	17,131	2,463
Drains	<u>4,000</u>	<u>4,000</u>	<u>3,235</u>	<u>765</u>
Total public works	<u>57,579</u>	<u>65,754</u>	<u>65,815</u>	<u>(61)</u>

Township of Salem**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,001</u>	<u>\$ (1)</u>
Community and economic development - community planning and development	<u>29,129</u>	<u>41,629</u>	<u>41,301</u>	<u>328</u>
Recreation and culture:				
Library	<u>73,000</u>	<u>73,000</u>	<u>65,709</u>	<u>7,291</u>
Parks and recreation	<u>-</u>	<u>433</u>	<u>431</u>	<u>2</u>
Total recreation and culture	<u>73,000</u>	<u>73,433</u>	<u>66,140</u>	<u>7,293</u>
Capital outlay	<u>49,158</u>	<u>53,358</u>	<u>50,199</u>	<u>3,159</u>
Total expenditures	<u>599,215</u>	<u>613,189</u>	<u>590,377</u>	<u>22,812</u>
NET CHANGE IN FUND BALANCES	<u>(21,926)</u>	<u>11,362</u>	<u>(3,308)</u>	<u>(14,670)</u>
FUND BALANCES - BEGINNING	<u>217,803</u>	<u>217,803</u>	<u>217,803</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 195,877</u>	<u>\$ 229,165</u>	<u>\$ 214,495</u>	<u>\$ (14,670)</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 570,364	\$ 576,055	\$ 575,835	\$ (220)
Interest	-	15,200	15,202	2
Other	-	145	144	(1)
Total revenues	570,364	591,400	591,181	(219)
EXPENDITURES				
Public works	<u>210,525</u>	<u>335,928</u>	<u>335,928</u>	-
NET CHANGE IN FUND BALANCES	359,839	255,472	255,253	(219)
FUND BALANCES - BEGINNING	<u>262,009</u>	<u>262,009</u>	<u>262,009</u>	-
FUND BALANCES - ENDING	<u>\$ 621,848</u>	<u>\$ 517,481</u>	<u>\$ 517,262</u>	<u>\$ (219)</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 75,150	\$ 75,862	\$ 75,862	\$ -
Federal grants	-	23,000	31,246	8,246
Interest	-	5,475	5,452	(23)
Total revenues	<u>75,150</u>	<u>104,337</u>	<u>112,560</u>	<u>8,223</u>
EXPENDITURES				
Public safety	-	6,302	3,862	2,440
Capital outlay	4,500	22,000	21,755	245
Total expenditures	<u>4,500</u>	<u>28,302</u>	<u>25,617</u>	<u>2,685</u>
NET CHANGE IN FUND BALANCES	70,650	76,035	86,943	10,908
FUND BALANCES - BEGINNING	<u>92,372</u>	<u>92,372</u>	<u>92,372</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 163,022</u>	<u>\$ 168,407</u>	<u>\$ 179,315</u>	<u>\$ 10,908</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 41,000	\$ 42,035	\$ 40,429	\$ (1,606)
State grants	3,000	3,000	2,756	(244)
Charges for services	3,700	3,900	3,817	(83)
Fines and forfeitures	30,700	30,700	26,362	(4,338)
Interest and rentals	1,800	6,000	5,427	(573)
Other	<u>2,600</u>	<u>4,400</u>	<u>3,970</u>	<u>(430)</u>
Total revenues	<u>82,800</u>	<u>90,035</u>	<u>82,761</u>	<u>(7,274)</u>
EXPENDITURES				
Recreation and culture	49,750	50,250	42,892	7,358
Capital outlay	<u>-</u>	<u>6,200</u>	<u>6,196</u>	<u>4</u>
Total expenditures	49,750	56,450	49,088	7,362
NET CHANGE IN FUND BALANCES	33,050	33,585	33,673	88
FUND BALANCES - BEGINNING	<u>100,790</u>	<u>100,790</u>	<u>100,790</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 133,840</u>	<u>\$ 134,375</u>	<u>\$ 134,463</u>	<u>\$ 88</u>

**Members of the Township Board
Township of Salem, Michigan**

In planning and performing our audit of the financial statements of the Township of Salem 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 of Salem'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. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in 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 preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to reconcile and adjust cash, record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Salem and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

October 24, 2007



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