

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2009

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

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INDEPENDENT AUDITOR'S REPORT

April 15, 2009

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Pipestone, Berrien County, Michigan as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Pipestone's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Pipestone, Berrien County, Michigan as of March 31, 2009, 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 Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2009

The Management's Discussion and Analysis report of the Township of Pipestone covers the Township's financial performance during the year ended March 31, 2009.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2009, totaled \$356,633.36 for governmental activities.

Overall revenues were \$266,540.70. Governmental activities had a \$7,046.71 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Building Fund.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2009

	<u>Total</u> Governmental Activities 2008	<u>Total</u> Governmental Activities 2009
Current Assets	287 053	272 733
Capital Assets	<u>106 027</u>	<u>103 500</u>
Total Assets	<u>393 080</u>	<u>376 233</u>
Current Liabilities	-	-
Non-current Liabilities	<u>29 400</u>	<u>19 600</u>
Total Liabilities	<u>29 400</u>	<u>19 600</u>
Net Assets:		
Invested in Capital Assets	76 627	83 900
Unrestricted	<u>287 053</u>	<u>272 733</u>
Total Net Assets	<u><u>363 680</u></u>	<u><u>356 633</u></u>

	<u>Total</u> Governmental Activities 2008	<u>Total</u> Governmental Activities 2009
Program Revenues:		
Fees and Charges for Services	34 981	38 022
General Revenues:		
Property Taxes	54 191	55 865
State Revenue Sharing	160 662	163 669
Interest	11 706	6 787
Miscellaneous	<u>29 239</u>	<u>2 198</u>
Total Revenues	<u>290 779</u>	<u>266 541</u>
Program Expenses:		
Legislative	2 622	2 472
General Government	97 884	107 689
Public Safety	90 747	119 404
Public Works	75 242	41 013
Recreation and Culture	690	660
Other	<u>2 350</u>	<u>2 350</u>
Total Expenses	<u>269 535</u>	<u>273 588</u>
Increase (Decrease) in Net Assets	21 244	(7 047)
Net Assets, April 1	<u>342 436</u>	<u>363 680</u>
Net Assets, March 31	<u><u>363 680</u></u>	<u><u>356 633</u></u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2009

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are roads which incurred expenses of \$31,904.87 and fire protection which incurred expenses of \$94,510.45.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

The Township's governmental activities paid \$9,800.00 in principal on long-term debt this year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Richard Skibbe (269) 461-6314 or the Township Clerk, Kathy Trail (269) 461-6151.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2009

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	268 093 83
Taxes receivable	<u>4 639 53</u>
Total Current Assets	<u>272 733 36</u>
NON-CURRENT ASSETS:	
Capital Assets	111 784 76
Less: Accumulated Depreciation	<u>(8 284 76)</u>
Total Non-current Assets	<u>103 500 00</u>
TOTAL ASSETS	<u><u>376 233 36</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
LONG-TERM LIABILITIES:	
Contract payable	<u>19 600 00</u>
Total Long-Term Liabilities	<u>19 600 00</u>
TOTAL LIABILITIES	<u>19 600 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	83 900 00
Unrestricted	<u>272 733 36</u>
Total Net Assets	<u>356 633 36</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>376 233 36</u></u>

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2009

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 472 00	-	(2 472 00)
General government	107 688 64	13 000 00	(94 688 64)
Public safety	119 404 19	25 021 75	(94 382 44)
Public works	41 012 58	-	(41 012 58)
Culture and recreation	660 00	-	(660 00)
Other	2 350 00	-	(2 350 00)
	<u>273 587 41</u>	<u>38 021 75</u>	<u>(235 565 66)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			55 864 60
State revenue sharing			163 668 59
Interest			6 787 18
Miscellaneous			<u>2 198 58</u>
			<u>228 518 95</u>
Total General Revenues			
Change in net assets			(7 046 71)
Net assets, beginning of year			<u>363 680 07</u>
Net Assets, End of Year			<u><u>356 633 36</u></u>

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2009

	General	Building	Total
<u>Assets</u>			
Cash in bank	244 936 21	23 144 97	268 081 18
Taxes receivable	4 639 53	-	4 639 53
Due from other funds	12 65	-	12 65
Total Assets	249 588 39	23 144 97	272 733 36
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	249 588 39	23 144 97	272 733 36
Total fund equity	249 588 39	23 144 97	272 733 36
Total Liabilities and Fund Equity	249 588 39	23 144 97	272 733 36

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2009

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	272 733 36
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	111 784 76
Accumulated depreciation	(8 284 76)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(19 600 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>356 633 36</u></u>

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2009

	<u>General</u>	<u>Building</u>	<u>Total</u>
Revenues:			
Property taxes	55 864 60	-	55 864 60
State revenue sharing	163 668 59	-	163 668 59
Charges for services	13 000 00	-	13 000 00
Interest	6 787 18	-	6 787 18
Miscellaneous	<u>2 210 08</u>	<u>25 010 25</u>	<u>27 220 33</u>
Total revenues	<u>241 530 45</u>	<u>25 010 25</u>	<u>266 540 70</u>
Expenditures:			
Legislative:			
Township Board	2 472 070	-	2 472 00
General government:			
Supervisor	9 914 82	-	9 914 82
Elections	3 135 44	-	3 135 44
Clerk	13 409 45	-	13 409 45
Assessor	18 012 32	-	18 012 32
Board of Review	600 75	-	600 75
Treasurer	11 234 83	-	11 234 83
Cemetery	18 446 27	-	18 446 27
Township Hall	4 121 62	-	4 121 62
Financial administration	26 286 14	-	26 286 14
Public safety:			
Enforcement	935 39	-	935 39
Fire protection	94 510 45	-	94 510 45
Planning	900 00	-	900 00
Protective inspection	-	23 058 35	23 058 35
Public works:			
Landfill	1 034 00	-	1 034 00
Highways and streets	31 904 87	-	31 904 87
Drains at large	8 073 71	-	8 073 71
Culture and recreation:			
Library	660 00	-	660 00
Other functions:			
Community development	2 350 00	-	2 350 00
Debt service	<u>9 800 00</u>	<u>-</u>	<u>9 800 00</u>
Total expenditures	<u>257 802 06</u>	<u>23 058 35</u>	<u>280 860 41</u>
Excess (deficiency) of revenues over expenditures	(16 271 61)	1 951 90	(14 319 71)
Fund balances, April 1	<u>265 860 00</u>	<u>21 193 07</u>	<u>287 053 07</u>
Fund Balances, March 31	<u><u>249 588 39</u></u>	<u><u>23 144 97</u></u>	<u><u>272 733 36</u></u>

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2009

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (14 319 71)

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 527 00)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the repayment
does not have an effect in the statement of activities but does reduce the debt
balance in the statement of net assets.

Principal payments on long-term debt	
Contract payable	<u>9 800 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (7 046 71)

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pipestone, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pipestone. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. All the Township's government-wide activities are considered governmental 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 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, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

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

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2008 tax roll millage rate was .8445 mills, and the taxable value was \$63,047,181.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$800.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>268 093 83</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	108 467 21
Uninsured and Uncollateralized	<u>169 197 76</u>
Total Deposits	<u>277 664 97</u>

The Township did not have any investments as of March 31, 2009.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/08	Additions	Deletions	Balance 3/31/09
<u>Governmental Activities:</u>				
Land	4 200 00	-	-	4 200 00
Building	102 840 00	-	-	102 840 00
Equipment	<u>4 744 76</u>	<u>-</u>	<u>-</u>	<u>4 744 76</u>
Total	111 784 76	-	-	111 784 76
Accumulated Depreciation	<u>(5 757 76)</u>	<u>(2 527 00)</u>	<u>-</u>	<u>(8 284 76)</u>
Net Capital Assets	<u>106 027 00</u>	<u>(2 527 00)</u>	<u>-</u>	<u>103 500 00</u>

Note 5 – Changes in Long -Term Debt

	Balance 4/1/08	Additions	Deletions	Balance 3/31/09
Contract Payable	<u>29 400 00</u>	<u>-</u>	<u>9 800 00</u>	<u>19 600 00</u>

Note 6 – Contract Payable

On November 13, 2006, the Township obtained a contract payable in the amount of \$39,200.00, to partially fund the purchase of a new Township hall. The contract requires semi-annual payments of \$4,900.00 beginning June 30, 2009. The contract is interest free. As of March 31, 2009, the principal balance outstanding was \$19,600.00.

Note 7 – Pension Plan

The Township does not have a pension plan.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Risk Management

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

Note 10 – Building Permits

As of March 31, 2009, the Township had building permit revenues of \$25,010.25 and building permit expenses of \$23,058.35.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>12 65</u>	Current Tax Collection	<u>12 65</u>
Total	<u><u>12 65</u></u>	Total	<u><u>12 65</u></u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	60 000 00	60 000 00	55 864 60	(4 135 40)
State revenue sharing	157 000 00	157 000 00	163 668 59	6 668 59
Charges for services	12 990 00	12 990 00	13 000 00	10 00
Interest	100 00	100 00	6 787 18	6 687 18
Miscellaneous	5 010 00	5 010 00	2 210 08	(2 799 92)
Total revenues	235 100 00	235 100 00	241 530 45	6 430 45
Expenditures:				
Legislative:				
Township Board	2 852 00	2 472 00	2 472 00	-
General government:				
Supervisor	9 950 00	9 914 82	9 914 82	-
Elections	2 450 00	3 135 44	3 135 44	-
Clerk	12 990 00	13 409 45	13 409 45	-
Assessor	20 400 00	18 012 32	18 012 32	-
Board of Review	600 00	600 75	600 75	-
Treasurer	11 518 00	11 234 83	11 234 83	-
Cemetery	21 215 00	18 446 27	18 446 27	-
Township Hall	8 300 00	12 245 46	4 121 62	(8 123 84)
Financial administration	25 600 00	27 962 30	26 286 14	(1 675 16)
Public safety:				
Enforcement	1 650 00	935 39	935 39	-
Fire protection	101 000 00	94 510 45	94 510 45	-
Planning	810 00	900 00	900 00	-
Public works:				
Landfill	-	1 034 00	1 034 00	-
Highways and streets	27 500 00	31 904 87	31 904 87	-
Drains at large	3 000 00	8 073 71	8 073 71	-
Culture and recreation:				
Library	720 00	660 00	660 00	-
Other functions:				
Community development	6 700 00	13 673 52	2 350 00	(11 323 52)
Debt service	-	9 800 00	9 800 00	-
Total expenditures	257 255 00	278 925 58	257 802 06	(21 123 52)
Excess (deficiency) of revenues over expenditures	(22 155 00)	(43 825 58)	(16 271 61)	27 553 97
Fund balance, April 1	22 155 00	43 825 58	265 860 00	222 034 42
Fund Balance, March 31	-	-	249 558 39	249 588 39

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND

Year ended March 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Licenses and permits	<u>19 900 00</u>	<u>19 900 00</u>	<u>25 010 25</u>	<u>5 110 25</u>
Total revenues	<u>19 900 00</u>	<u>19 900 00</u>	<u>25 010 25</u>	<u>5 110 25</u>
Expenditures:				
Public safety:				
Protective inspection	<u>17 745 00</u>	<u>23 058 35</u>	<u>23 058 35</u>	<u>-</u>
Total expenditures	<u>17 745 00</u>	<u>23 058 35</u>	<u>23 058 35</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2 155 00	(3 158 35)	1 951 90	5 110 25
Fund balance, April 1	<u>-</u>	<u>3 158 35</u>	<u>21 193 07</u>	<u>18 034 72</u>
Fund Balance, March 31	<u><u>2 155 00</u></u>	<u><u>-</u></u>	<u><u>23 144 97</u></u>	<u><u>23 144 97</u></u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2009

Township Board:		
Wages	2 472 00	
Supervisor:		
Salary	9 650 01	
Miscellaneous	264 81	
	9 914 82	
Elections:		
Wages	2 150 31	
Supplies	906 51	
Miscellaneous	78 62	
	3 135 44	
Clerk:		
Salary	11 845 03	
Supplies	1 168 56	
Miscellaneous	395 86	
	13 409 45	
Assessor:		
Salary	14 810 52	
Supplies	2 889 25	
Miscellaneous	312 55	
	18 012 32	
Board of Review:		
Wages	600 75	
Treasurer:		
Salary – Treasurer	10 348 02	
Miscellaneous	886 81	
	11 234 83	
Cemetery:		
Supervisor salary	1 599 98	
Sexton wages	8 444 00	
Repairs and maintenance	2 297 50	
Opening/closing	6 100 00	
Miscellaneous	4 79	
	18 446 27	
Township Hall:		
Utilities	2 138 16	
Repairs and maintenance	1 983 46	
	4 121 62	

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2009

Financial administration:	
Audit	2 400 00
Insurance	5 207 00
Dues	1 440 61
Legal	6 111 50
Supplies	1 268 12
Printing and publishing	1 679 90
Payroll taxes	3 202 34
Miscellaneous	105 00
Computer service	2 800 42
Office administration	2 071 25
	<u>26 286 14</u>
Enforcement:	
Wages	648 75
Supplies	286 64
	<u>935 39</u>
Fire protection:	
Fire board wages	870 00
Contracted services	93 640 45
	<u>94 510 45</u>
Planning:	
Commission wages	900 00
	<u>900 00</u>
Landfill	<u>1 034 00</u>
Highways and streets	<u>31 904 87</u>
Drains at large	<u>8 073 71</u>
Library:	
Board wages	660 00
	<u>660 00</u>
Community development	<u>2 350 00</u>
Debt service	<u>9 800 00</u>
Total Expenditures	<u><u>257 802 06</u></u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2009

	<u>Balance 4/1/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/09</u>
<u>Assets</u>				
Cash in Bank	<u>12 67</u>	<u>834 914 66</u>	<u>834 914 68</u>	<u>12 65</u>
<u>Liabilities</u>				
Due to other funds	12 67	51 236 57	51 236 59	12 65
Due to others	<u>-</u>	<u>783 678 09</u>	<u>783 678 09</u>	<u>-</u>
Total Liabilities	<u>12 67</u>	<u>834 914 66</u>	<u>834 914 68</u>	<u>12 65</u>

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2009

Cash in bank – beginning of year	<u>12 67</u>
Cash receipts:	
Property tax	834 759 66
Animal licenses	<u>155 00</u>
Total cash receipts	<u>834 914 66</u>
Total beginning balance and cash receipts	<u>834 927 33</u>
Cash disbursements:	
Township General Fund	51 236 59
Berrien County	83 255 48
Berrien Intermediate School District	135 433 22
Lake Michigan Community College	103 278 37
Eau Claire Schools	39 476 00
Dowagiac Schools	409 884 41
Eau Claire District Library	1 900 24
State of Michigan	4 572 00
Refunds	<u>5 878 37</u>
Total cash disbursements	<u>834 914 68</u>
Cash in Bank – End of Year	<u><u>12 65</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 15, 2009

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the financial statements of the Township of Pipestone for the year ended March 31, 2009. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Pipestone in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Pipestone
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board
Township of Pipestone
Berrien County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY (cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements for the year ended March 31, 2009.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants