

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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

TOWNSHIP OF GROVELAND

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2007

TOWNSHIP OF GROVELAND

TOWNSHIP OFFICIALS

Supervisor - Robert DePalma
Treasurer - Shirley Scramlin
Clerk - Pamela Mazich

TOWNSHIP BOARD

David Ax
Robert DePalma
Diane Howell
Pamela Mazich
Shirley Scramlin

TOWNSHIP ATTORNEY

Williams, Williams, Rattner & Plunkett, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	15
Statement of Activities	16
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	18
Reconciliation of Statement of Net Assets of Governmental Funds to the Balance Sheet	19
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Assets and Liabilities - Fiduciary Funds	22
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	35
Fire Protection Fund	36
<u>SUPPLEMENTARY INFORMATION</u>	
<u>COMBINING STATEMENTS</u>	
All Special Revenue Funds - Combining Balance Sheet	39
All Trust and Agency Funds - Combining Balance Sheet	40
All Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<u>INDIVIDUAL FUNDS</u>	
GENERAL FUND	
Balance Sheet	44
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	45
Statement of Revenues - Budget and Actual	46
Statement of Expenditures - Budget and Actual	47
BUILDING DEPARTMENT FUND	
Balance Sheet	51
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	52
FIRE PROTECTION FUND	
Balance Sheet	54
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	55
Statement of Expenditures - Budget and Actual	56
FIRE IMPROVEMENT FUND	
Balance Sheet	58
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	59
GAS LINE DEBT SERVICE FUND	
Balance Sheet	61
Statement of Revenues, Expenditures and Changes in Fund Balance	62
CURRENT TAX COLLECTION FUND	
Balance Sheet	64
TRUST AND AGENCY FUND	
Balance Sheet	66

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PFEFFER ■ HANNIFORD ■ PALKA

Certified Public Accountants

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July 31, 2007

Board of Trustees
Township of Groveland
4695 Grange Hall Road
Holly, Michigan 48442

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Groveland as of and for the year ended March 31, 2007, which collectively comprise the Township of Groveland's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Groveland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Groveland as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, 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 other required supplementary information on pages 7 through 12 and 35 through 36 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 opinions on the financial statements that collectively comprise the Township of Groveland's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis
March 31, 2007

Within this section of the Township of Groveland's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township has implemented the new financial reporting model used in this report beginning with the prior fiscal year ended March 31, 2005. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$5,913,779. This is a \$361,742 increase over last year's net assets of \$5,552,037.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>3/31/2007</u>	<u>3/31/2006</u>	
ASSETS			
Current and other assets	\$ 4,787,554	\$ 4,617,044	\$ 170,510
Capital assets	<u>2,368,290</u>	<u>2,328,832</u>	<u>39,458</u>
Total assets	<u>7,155,844</u>	<u>6,945,876</u>	<u>209,968</u>
LIABILITIES			
Accounts payable and other accrued liabilities	114,725	111,794	2,931
Bonds payable	<u>1,127,340</u>	<u>1,282,045</u>	<u>(154,705)</u>
Total liabilities	<u>1,242,065</u>	<u>1,393,839</u>	<u>(151,774)</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,693,750	1,589,772	103,978
Restricted for debt service	325,308	305,579	19,729
Unrestricted	<u>3,894,721</u>	<u>3,656,686</u>	<u>238,035</u>
Total net assets	<u>\$ 5,913,779</u>	<u>\$ 5,552,037</u>	<u>\$ 361,742</u>

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>3/31/2007</u>	<u>3/31/2006</u>	
Revenues			
Program revenues			
Charges for services	\$ 701,674	\$ 585,468	\$ 116,206
Operating grants and contributions	156,370	176,362	(19,992)
General revenues			
State shared revenues	418,380	426,045	(7,665)
Property taxes	1,095,108	1,041,325	53,783
Interest income	217,899	180,565	37,334
Gain on sale of assets	866	59,176	(58,310)
Rental income	67,524	58,101	9,423
Other income	69,732	49,364	20,368
Total revenues	<u>2,727,553</u>	<u>2,576,406</u>	<u>151,147</u>
Expenses			
General government	890,822	689,565	201,257
Fire protection	1,199,911	1,327,532	(127,621)
Community development	23,814	30,376	(6,562)
Public works	176,650	105,929	70,721
Parks and recreation	16,460	16,562	(102)
Interest on long-term debt	58,154	37,071	21,083
Total expenses	<u>2,365,811</u>	<u>2,207,035</u>	<u>158,776</u>
Change in net assets	361,742	369,371	(7,629)
Beginning net assets	<u>5,552,037</u>	<u>5,182,666</u>	<u>369,371</u>
Ending net assets	<u>\$ 5,913,779</u>	<u>\$ 5,552,037</u>	<u>\$ 361,742</u>

Financial Analysis of the Township's Funds

The Township of Groveland reported three major funds for the year ended March 31, 2007. These funds included:

- General Fund
- Fire Protection Fund
- Gas Debt Service Fund

The General Fund increased its fund balance by \$154,015 during the year. Reasons for the increase were as follows:

- Interest earnings from investments were significantly higher than expected;
- Expenditures under unallocated were significantly less than expected due to the Township keeping costs down for the Public Safety Officer and Planning Consultants.

The Fire Protection Fund increased its fund balance by \$100,930 during the year. Some reasons for the increase were as follows:

- The fire millage revenue increased over \$40,000 due to increases in taxable value;
- Revenues realized from ambulance billings increased over \$60,000 from the prior year.

The Gas Debt Service Fund increased its fund balance by \$19,729 for the fiscal year. This is largely due to extra amounts collected for new users who were not in the original assessment district.

The Building Department Fund had a decrease in its fund balance of \$20,139. Its fund balance decreased to \$12,107 as of March 31, 2007. As the economy slows down, the General Fund may be forced to transfer monies to the Building Department Fund to avoid a deficit.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made several immaterial amendments during the year to bring it closer to economic reality. Appropriations exceeded actual expenditures by \$159,017.

Capital Asset and Debt Administration

The Township's fire department made some significant capital purchases during the year. The following items were added to the Fire Department's capital assets:

• Exhaust system	\$ 63,000
• Well	65,649
• 2006 Ambulance	<u>56,700</u>
Total	<u>\$ 185,349</u>

The General Fund added \$19,401 of voting equipment to its capital assets.

The ambulance was obtained by the Township through a contribution by the Village of Holly. The voting equipment was obtained through a grant administered by the State of Michigan.

The Township did not add any new capital debt to its liabilities.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. The reclamation revenues the Township is receiving is substantially dependent on the amount of reclamation completed in the year making revenue amounts very difficult to estimate, especially with the project being near completion.

In order to provide for future capital purchases and projects the Township board has reserved \$1,143,906 of its General Fund's fund balance. This includes:

General reserve	\$ 743,906
Fire department building	250,000
Road projects	<u>150,000</u>
Total reserve	<u>\$ 1,143,906</u>

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Township of Groveland at 4695 Grange Hall Road, Holly, Michigan 48442.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

TOWNSHIP OF GROVELAND
STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,040,104
Receivables	
Taxes	132,184
Special assessments	460,077
State shared revenues	68,688
Accounts - other	58,013
Interest	11,000
Intergovernmental	17,488
Capital assets	
Land	150,000
Buildings and improvements	1,651,000
Equipment	259,665
Vehicles	1,403,433
Less accumulated depreciation	<u>(1,095,808)</u>
Total assets	<u>7,155,844</u>
LIABILITIES	
Accounts payable	114,725
Bonds payable - current	154,114
Bonds payable - long term	<u>973,226</u>
Total liabilities	<u>1,242,065</u>
NET ASSETS	
Investment in capital assets, net of related debt	1,693,750
Restricted for:	
Debt service	325,308
Unrestricted	<u>3,894,721</u>
Total net assets	<u><u>\$ 5,913,779</u></u>

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

TOWNSHIP OF GROVELAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
General government	\$ (890,822)	\$ 314,850	\$	\$ (575,972)
Fire protection	(1,199,911)	386,824	65,132	(747,955)
Community development	(23,814)		62,438	38,624
Parks and recreation	(16,460)			(16,460)
Public works	(176,650)			(176,650)
Interest on long-term debt	(58,154)		28,800	(29,354)
	<u>\$ (2,365,811)</u>	<u>\$ 701,674</u>	<u>\$ 156,370</u>	<u>(1,507,767)</u>
		General revenues		
				1,095,108
				418,380
				217,899
				67,524
				866
				<u>69,732</u>
		Total general revenues		<u>1,869,509</u>
		Changes in net assets		361,742
		Net assets, April 1, 2006		<u>5,552,037</u>
		Net assets, March 31, 2007		<u>\$ 5,913,779</u>

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

FUND
FINANCIAL
STATEMENTS

TOWNSHIP OF GROVELAND
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007

<u>ASSETS</u>	<u>General</u>	<u>Fire Protection</u>	<u>Gas Debt Service</u>
Cash and cash equivalents	\$ 2,656,190	\$ 868,974	\$ 405,518
Receivables			
Special assessments			460,077
Taxes	29,322	102,862	
State shared revenues	11,000		
Interest	68,688		
Accounts - other	49,607		8,406
Due from other funds	25,855		
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,840,662</u>	<u>\$ 971,836</u>	<u>\$ 874,001</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 10,575	\$ 7,937	\$
Matured bonds payable			88,616
Due to other funds		5,315	
Deferred revenues			460,077
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>10,575</u>	<u>13,252</u>	<u>548,693</u>
Fund Balance			
Unreserved	1,686,181	958,584	
Reserved	1,143,906		
Designated for capital replacement			
Reserved for debt service			325,308
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>2,830,087</u>	<u>958,584</u>	<u>325,308</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 2,840,662</u>	<u>\$ 971,836</u>	<u>\$ 874,001</u>

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

Other Non-major Funds	Total
\$ 109,422	\$ 4,040,104
	460,077
	132,184
	11,000
	68,688
	58,013
1,308	27,163
<u>\$ 110,730</u>	<u>\$ 4,797,229</u>

\$ 7,597	\$ 26,109
	88,616
4,360	9,675
	460,077
<u>11,957</u>	<u>584,477</u>

12,107	2,656,872
	1,143,906
86,666	86,666
	325,308
<u>98,773</u>	<u>4,212,752</u>
<u>\$ 110,730</u>	<u>\$ 4,797,229</u>

TOWNSHIP OF GROVELAND
 RECONCILIATION OF STATEMENT OF NET ASSETS
 OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
 MARCH 31, 2007

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

Total fund balance per balance sheet		\$ 4,212,752
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Historical cost	\$ 3,464,098	
Depreciation	<u>(1,095,808)</u>	
Capital assets net of depreciation		2,368,290
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable (long-term portion)		(1,127,340)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		<u>460,077</u>
Net assets of governmental activities		<u><u>\$ 5,913,779</u></u>

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

TOWNSHIP OF GROVELAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire Protection</u>	<u>Gas Debt Service</u>
REVENUES			
Taxes	\$ 245,147	\$ 849,961	\$
Special assessments			105,589
Connection fees			28,800
Licenses and permits	232,159		
Grant - community development	5,738		
State shared revenues	418,380		
Federal grant			
Rental income	57,874	9,650	
Charges for services	28,829	340,992	
Donation - Village of Holly		56,700	
Ambulance contract		45,832	
Sale of truck and equipment		866	
Interest	136,970	17,291	14,366
Miscellaneous	67,177	2,555	
	<u>1,192,274</u>	<u>1,323,847</u>	<u>148,755</u>
Total revenues			
EXPENDITURES			
General government	814,835		
Fire protection		1,222,917	
Library	6,500		
Parks and recreation	16,460		
Community development	23,814		
Public works	176,650		
Debt service			
Principal			90,185
Interest and fees			38,841
	<u>1,038,259</u>	<u>1,222,917</u>	<u>129,026</u>
Total expenditures			
Net change in fund balance	154,015	100,930	19,729
FUND BALANCE, APRIL 1, 2006	<u>2,676,072</u>	<u>857,654</u>	<u>305,579</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 2,830,087</u>	<u>\$ 958,584</u>	<u>\$ 325,308</u>

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

<u>Other Non-major Funds</u>	<u>Total</u>
\$	\$ 1,095,108
	105,589
	28,800
53,862	286,021
	5,738
	418,380
65,132	65,132
	67,524
	369,821
	56,700
	45,832
	866
4,273	172,900
	69,732
<u>123,267</u>	<u>2,788,143</u>
74,001	888,836
95,771	1,318,688
	6,500
	16,460
	23,814
	176,650
	90,185
	38,841
<u>169,772</u>	<u>2,559,974</u>
(46,505)	228,169
<u>145,278</u>	<u>3,984,583</u>
<u>\$ 98,773</u>	<u>\$ 4,212,752</u>

TOWNSHIP OF GROVELAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

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

Net change in fund balances - governmental funds	\$	228,169
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:</p>		
Capital outlay	\$	204,750
Depreciation expense		<u>(165,292)</u>
Net capital assets		39,458
<p>Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets</p>		
Repayment of bonds and contracts payable (long-term portion)		154,705
<p>Principal received on special assessments are income as they are levied annually for governmental funds, but they are recognized as income in total when they are originally levied in the initial first year for the Statement of Activities.</p>		
Principal collected on assessments		<u>(60,590)</u>
Change in net assets of governmental activities	\$	<u><u>361,742</u></u>

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

TOWNSHIP OF GROVELAND
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2007

	Current Tax Collection	Trust and Agency	Totals
ASSET			
Cash and cash equivalents	\$ 16,508	\$ 20,269	\$ 36,777
 LIABILITIES			
Due to other funds	\$ 16,508	\$ 980	\$ 17,488
Due to others		19,289	19,289
Total liabilities	\$ 16,508	\$ 20,269	\$ 36,777

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

NOTES
TO
FINANCIAL
STATEMENTS

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Groveland conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

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.

The Fire Protection Fund accounts for the activities related to the operations of the Township fire department. This activity is funded primarily through the collection of property taxes and cost recovery fees.

The Gas Debt Service Fund accounts for the special assessments levied and related debt associated with the Township's participation of installing a natural gas distribution system.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township approves budgets for the general and special revenue funds. Amendments made during the fiscal year are reflected in the budget column of the appropriate financial statement. The budgets are prepared on a modified accrual basis.

D. PROPERTY TAXES

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state. Real and personal property in the Township for the 2006 levy was assessed at an adjusted taxable value of \$237,235,140. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection.

The Township levies the following millage:

General Township	1.0
Fire	<u>3.5</u>
Total millage	<u>4.5</u>

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the 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 assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

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

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

TOWNSHIP OF GROVELAND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2007

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39, all funds, agencies, and activities of the Township of Groveland as the primary government have been included in the financial statements.

The following potential component unit has been evaluated under the criteria established by GASB statement number 39 and determined not to be a component unit based on financial independence and accountability.

Brandon - Groveland - Ortonville Recreation Authority - The Township of Groveland is involved and monetarily supports this authority. The recreation authority is fiscally independent from the Township. The authority is a component unit of the Charter Township of Brandon.

NOTE 3 - INTERFUND BALANCES

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Building Department fund	\$ 1,308	Fire fund	\$ 1,308
General fund	4,360	Building department fund	4,360
General fund	16,508	Current tax collection fund	16,508
General fund	980	Trust and agency fund	980
General fund	<u>4,007</u>	Fire fund	<u>4,007</u>
	<u>\$ 27,163</u>		<u>\$ 27,163</u>

TOWNSHIP OF GROVELAND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2007

NOTE 4 - PENSION PLAN (DEFINED BENEFIT PLAN)

The Township of Groveland participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer, state-wide, defined public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 15, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget. The Township has no fiduciary responsibility for the plan. The Township's full-time employees and trustees are eligible to participate in the plan with a total covered payroll of \$486,656. Total contributions made for the year ended March 31, 2007 totaled \$170,082. Contributions are 9.82% for general employees and 8.55% for township trustees.

At December 31, 2006, the unfunded pension benefit obligation was \$162,106, determined as follows:

Actuarial accrued liability	
Retirees and beneficiaries currently receiving benefits	\$ 184,818
Terminated employees not yet receiving benefits	0
Current employees	
Accumulated employee contribution, including allocated investment income	456,058
Employer financed	<u>328,359</u>
Total actuarial accrued liabilities	969,235
Net assets available for benefits, at cost (at market \$818,420)	<u>807,129</u>
Unfunded (overfunded) actuarial accrued liabilities	<u>\$ 162,106</u>
Fiscal Year Beginning	April 1, 2007
Annual Required Contribution (ARC)	\$ 42,144
Amortization Factor Used - Under funded Liabilities (30 years)	0.054719

TOWNSHIP OF GROVELAND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2007

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>COST</u>	Balance 04/01/06	Additions	Deletions	Balance 03/31/07
Land	\$ 150,000	\$	\$	\$ 150,000
Buildings - general government	376,000			376,000
Buildings - fire	1,212,000	63,000		1,275,000
Equipment - general government	50,815	19,401		70,216
Equipment - fire	123,800	65,649		189,449
Vehicles - fire	1,351,733	56,700	5,000	1,403,433
	<u>3,264,348</u>	<u>204,750</u>	<u>5,000</u>	<u>3,464,098</u>
<u>ACCUMULATED DEPRECIATION</u>				
Buildings - general government	81,467	7,520		88,987
Buildings - fire	426,297	25,940		452,237
Equipment - general government	19,198	7,367		26,565
Equipment - fire	57,894	4,757		62,651
Vehicles - fire	350,660	119,708	5,000	465,368
	<u>935,516</u>	<u>165,292</u>	<u>5,000</u>	<u>1,095,808</u>
Net book value	<u>\$ 2,328,832</u>	<u>\$ 39,458</u>	<u>\$</u>	<u>\$ 2,368,290</u>

As of March 31, 2007 there was \$674,540 of long-term debt related to fire department equipment.

Depreciation expense was allocated to the various activities as follows:

General government	\$ 14,887
Fire protection	<u>150,405</u>
	<u>\$ 165,292</u>

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - LONG-TERM DEBT

The following is a summary of Township debt for the year ended March 31, 2007:

	<u>Balance 4/1/06</u>	<u>Debt Proceeds</u>	<u>Principal Repayments</u>	<u>Balance 3/31/07</u>
Bonds payable used to finance construction of gas distribution system	\$ 542,985	\$	\$ 90,185	\$ 452,800
Installment agreement payable to finance purchase of two fire trucks	520,000		33,780	486,220
Installment agreement payable to finance purchase of two ambulances	<u>219,060</u>		<u>30,740</u>	<u>188,320</u>
Total	<u>\$ 1,282,045</u>	<u>\$</u>	<u>\$ 154,705</u>	<u>\$ 1,127,340</u>

1. Bonds payable - gas distribution system: In 1999 the Township issued bonds to finance the construction of a natural gas distribution system. Principal is paid annually each June 1 and interest is paid semi-annually each June and December 1. Interest charged varies between 6.15% and 7.4% per annum. The bond is set to mature on June 1, 2011.
2. Installment agreement - fire trucks - In September 2005 the Township entered into an installment purchase agreement with a bank to finance the purchase of two fire trucks. Principal and interest of \$47,686 is paid annually to service the debt. The installment agreement is scheduled to mature on May 1, 2020. Interest is charged at a fixed rate of 4.54% per annum.
3. Installment agreement - ambulances - In September 2005 the Township entered into an installment purchase agreement with a bank to finance the purchase of two ambulances. Principal and interest of \$36,147 is paid annually to service the debt. The installment agreement is scheduled to mature on May 1, 2012. Interest is charged at a fixed rate of 4.19% per annum.

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - LONG-TERM DEBT (continued)

The following is a schedule of future principal and interest payments to service the long-term obligations of the Township:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/07 - 3/31/08	\$ 145,067	\$ 64,597	\$ 209,664
4/1/08 - 3/31/09	154,114	55,561	209,675
4/1/09 - 3/31/10	163,864	45,875	209,739
4/1/10 - 3/31/11	174,220	35,490	209,710
4/1/11 - 3/31/12	185,387	24,350	209,737
4/1/12 - 3/31/17	209,774	64,801	274,575
4/1/17 - 3/31/21	<u>170,914</u>	<u>19,830</u>	<u>190,744</u>
Total	1,203,340	310,504	1,513,844
Less: current portion recorded in debt service fund	<u>(76,000)</u>	<u>(12,616)</u>	<u>(88,616)</u>
Total long-term debt	<u>\$ 1,127,340</u>	<u>\$ 297,888</u>	<u>\$ 1,425,228</u>

NOTE 7 - DEPOSITS WITH FINANCIAL INSTITUTIONS

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; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated 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 investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	<u>3,776,881</u>	<u>3,806,209</u>
Total deposits	<u>\$ 4,076,881</u>	<u>\$ 4,106,209</u>

TOWNSHIP OF GROVELAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 8 - RECLAMATION REVENUES

Effective June 2002 the Township had entered into an agreement with a construction company for the mining and reclamation of lands in the Township. The Township is to receive funds based upon materials removed from these lands. The Township is to receive these funds until the contract expires in June 2012. Total reclamation revenues for the year ended March 31, 2007 was \$166,787.

NOTE 9 - FEDERAL GRANT ACTIVITIES

The Township participates in a Community Development Block Grant (CDBG) consortium passed through Oakland County. The CDBG fiscal period is from May 1 to April 30. The County performs a full compliance audit on the Township's program performance. The most recent audit has been completed for the period dated May 1, 2005 to April 30, 2006.

NOTE 10 - CONTINGENT LIABILITIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 11 - POST EMPLOYMENT BENEFITS

The Township adopted a post employment benefits policy several years ago. The Township pays health insurance premiums (single coverage) for retirees of the Township who have worked a minimum of 20 years and until the age 55. Currently there is one retired employee receiving the benefit. The cost to the Township for the year ending March 31, 2007 was \$7,832.

The aforementioned policy was changed effective April 1, 2007. The changes to the policy are as follows:

All new hires after April 1, 2007 must be full time firefighters or an elected official (office staff are no longer eligible) and have 30 years of service to receive lifetime health insurance coverage.

The employees hired prior to April 1, 2007 are grandfathered under the original policy, however, must adhere to the 30 years of service instead of 20 years of service.

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 245,147	\$ 30,147
State shared revenues	425,561	425,561	418,380	(7,181)
Licenses and permits	269,100	269,100	232,159	(36,941)
Charges for services	80,300	80,300	86,703	6,403
Community development	16,515	23,814	5,738	(18,076)
Other revenues	64,100	83,501	204,147	120,646
Total revenues	<u>1,070,576</u>	<u>1,097,276</u>	<u>1,192,274</u>	<u>94,998</u>
EXPENDITURES				
Township board	6,500	6,500	5,587	913
Supervisor	55,460	55,460	55,345	115
Elections	24,500	43,901	35,507	8,394
Clerk	77,778	77,778	77,737	41
Equalization	35,000	36,000	35,831	169
Board of review	2,000	2,000	1,924	76
Treasurer	64,950	64,950	65,745	(795)
Cemetery	1,600	1,600	2,106	(506)
Unallocated	637,573	657,543	562,134	95,409
Community development	16,515	23,814	5,769	18,045
Planning commission	8,200	8,200	6,755	1,445
Zoning board of appeals	3,500	3,500	2,000	1,500
Street lighting	3,200	3,500	3,709	(209)
Roads	132,000	210,730	176,650	34,080
Parks and recreation	1,800	1,800	1,460	340
Total expenditures	<u>1,070,576</u>	<u>1,197,276</u>	<u>1,038,259</u>	<u>159,017</u>
Net change in fund balance		(100,000)	154,015	254,015
FUND BALANCE, APRIL 1, 2006	<u>2,676,072</u>	<u>2,676,072</u>	<u>2,676,072</u>	
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 2,676,072</u></u>	<u><u>\$ 2,576,072</u></u>	<u><u>\$ 2,830,087</u></u>	<u><u>\$ 254,015</u></u>

GROVELAND TOWNSHIP
 FIRE PROTECTION FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED MARCH 31, 2007

	Budget Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 849,961	\$
Ambulance billing			289,442	
Ambulance contract			45,832	
Fire runs			8,944	
Rental income			9,650	
Camp reimbursements			23,719	
Special event reimbursements			1,134	
Training			17,753	
Sale of truck and equipment			866	
Interest income			17,291	
Donation - Village of Holly			56,700	
Miscellaneous			2,555	
			<u>1,323,847</u>	
Total revenues	1,097,708	1,148,574	1,323,847	175,273
EXPENDITURES	<u>1,097,708</u>	<u>1,148,574</u>	<u>1,222,917</u>	<u>(74,343)</u>
Net change in fund balance			100,930	100,930
FUND BALANCE, APRIL 1, 2006	<u>857,654</u>	<u>857,654</u>	<u>857,654</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 857,654</u>	<u>\$ 857,654</u>	<u>\$ 958,584</u>	<u>\$ 100,930</u>

SUPPLEMENTARY
INFORMATION

COMBINING
STATEMENTS

TOWNSHIP OF GROVELAND
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 MARCH 31, 2007

	<u>Building Department Fund</u>	<u>Fire Protection Fund</u>	<u>Fire Improvement Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 15,159	\$ 868,974	\$ 94,263	\$ 978,396
Taxes receivable		102,862		102,862
Due from other funds	1,308			1,308
	<u>16,467</u>	<u>971,836</u>	<u>94,263</u>	<u>1,082,566</u>
Total assets	<u>\$ 16,467</u>	<u>\$ 971,836</u>	<u>\$ 94,263</u>	<u>\$ 1,082,566</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 4,360	\$ 7,937	\$ 7,597	\$ 15,534
Due to other funds		5,315		9,675
	<u>4,360</u>	<u>13,252</u>	<u>7,597</u>	<u>25,209</u>
Total liabilities	4,360	13,252	7,597	25,209
FUND BALANCE	<u>12,107</u>	<u>958,584</u>	<u>86,666</u>	<u>1,057,357</u>
Total liabilities and fund balance	<u>\$ 16,467</u>	<u>\$ 971,836</u>	<u>\$ 94,263</u>	<u>\$ 1,082,566</u>

TOWNSHIP OF GROVELAND
 ALL TRUST AND AGENCY FUNDS
 COMBINING BALANCE SHEET
 MARCH 31, 2007

	Current Tax Collection	Trust and Agency	Totals
ASSET			
Cash and cash equivalents	\$ 16,508	\$ 20,269	\$ 36,777
 LIABILITIES			
Due to other funds	\$ 16,508	\$ 980	\$ 17,488
Due to others		19,289	19,289
Total liabilities	\$ 16,508	\$ 20,269	\$ 36,777

TOWNSHIP OF GROVELAND
 ALL SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED MARCH 31, 2007

	Building Department Fund	Fire Protection Fund	Fire Improvement Fund	Totals
REVENUES				
Property taxes	\$	\$ 849,961	\$	\$ 849,961
Licenses and permits	53,862			53,862
Charges for service		340,992		340,992
Grants			65,132	65,132
Ambulance contract		45,832		45,832
Sale of truck and equipment		866		866
Donation - Village of Holly		56,700		56,700
Rental income		9,650		9,650
Interest income		17,291	4,273	21,564
Miscellaneous		2,555		2,555
	<u>53,862</u>	<u>1,323,847</u>	<u>69,405</u>	<u>1,447,114</u>
EXPENDITURES				
Fire protection		1,222,917	95,771	1,318,688
Building department	74,001			74,001
	<u>74,001</u>	<u>1,222,917</u>	<u>95,771</u>	<u>1,392,689</u>
Total expenditures				
Net change in fund balance	(20,139)	100,930	(26,366)	54,425
FUND BALANCE, APRIL 1, 2006	<u>32,246</u>	<u>857,654</u>	<u>113,032</u>	<u>1,002,932</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 12,107</u>	<u>\$ 958,584</u>	<u>\$ 86,666</u>	<u>\$ 1,057,357</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

TOWNSHIP OF GROVELAND
GENERAL FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents		\$ 2,656,190
Accounts receivable - other		49,607
Taxes receivable		29,322
Interest receivable		11,000
State shared revenues receivable		68,688
Due from other funds		<u>25,855</u>

Total assets		<u><u>\$ 2,840,662</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 10,575
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FUND BALANCE

Reserved		\$ 1,143,906
Unreserved		<u>1,686,181</u>

Total fund balance		<u>2,830,087</u>
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Total liabilities and fund balance		<u><u>\$ 2,840,662</u></u>
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TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 215,000	\$ 245,147	\$ 30,147
State shared revenues	425,561	418,380	(7,181)
Licenses and permits	269,100	232,159	(36,941)
Charges for services	80,300	86,703	6,403
Community development	23,814	5,738	(18,076)
Other revenues	83,501	204,147	120,646
	<u>1,097,276</u>	<u>1,192,274</u>	<u>94,998</u>
EXPENDITURES			
Township board	6,500	5,587	913
Supervisor	55,460	55,345	115
Elections	43,901	35,507	8,394
Clerk	77,778	77,737	41
Equalization	36,000	35,831	169
Board of review	2,000	1,924	76
Treasurer	64,950	65,745	(795)
Cemetery	1,600	2,106	(506)
Unallocated	657,543	562,134	95,409
Community development	23,814	5,769	18,045
Planning commission	8,200	6,755	1,445
Zoning board of appeals	3,500	2,000	1,500
Street lighting	3,500	3,709	(209)
Roads	210,730	176,650	34,080
Parks and recreation	1,800	1,460	340
	<u>1,197,276</u>	<u>1,038,259</u>	<u>159,017</u>
Total expenditures	<u>1,197,276</u>	<u>1,038,259</u>	<u>159,017</u>
Net change in fund balance	(100,000)	154,015	254,015
FUND BALANCE, APRIL 1, 2006	<u>2,676,072</u>	<u>2,676,072</u>	
FUND BALANCE, MARCH 31, 2007	<u>\$ 2,576,072</u>	<u>\$ 2,830,087</u>	<u>\$ 254,015</u>

TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 215,000	\$ 245,147	\$ 30,147
STATE SHARED REVENUES	425,561	418,380	(7,181)
LICENSES AND PERMITS			
Liquor license fees	1,800	2,649	849
Mobile home fees	1,700	2,300	600
Cablevision franchise and Metro Act	40,500	56,823	16,323
Reclamation revenues	223,600	166,787	(56,813)
Waste hauler fees	1,500	3,600	2,100
Total licenses and permits	<u>269,100</u>	<u>232,159</u>	<u>(36,941)</u>
CHARGES FOR SERVICES			
Tax collection fees	14,000	14,190	190
Special and school elections	6,000		(6,000)
Planning commission	2,000	7,149	5,149
Board of appeals	2,000	800	(1,200)
Camp reimbursements	6,300	6,690	390
Tower lease	50,000	57,874	7,874
Total charges for services	<u>80,300</u>	<u>86,703</u>	<u>6,403</u>
COMMUNITY DEVELOPMENT	<u>23,814</u>	<u>5,738</u>	<u>(18,076)</u>
OTHER REVENUES			
Interest	55,000	136,970	81,970
General reimbursements	5,000	45,376	40,376
Miscellaneous	4,100	2,400	(1,700)
Grants - elections	19,401	19,401	
Total other revenues	<u>83,501</u>	<u>204,147</u>	<u>120,646</u>
Total revenues	<u>\$ 1,097,276</u>	<u>\$ 1,192,274</u>	<u>\$ 94,998</u>

TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD	\$ 6,500	\$ 5,587	\$ 913
SUPERVISOR			
Salary	54,510	54,510	
Dues and subscriptions	425	375	50
Professional development	525	460	65
Total supervisor	55,460	55,345	115
ELECTIONS			
Supplies	27,060	4,673	22,387
Salaries	10,341	10,341	
Special election	6,500	1,092	5,408
Capital outlay		19,401	(19,401)
Total elections	43,901	35,507	8,394
CLERK			
Salary	50,950	50,950	
Deputy clerk salary	25,878	25,878	
Professional development	750	709	41
Membership dues	200	200	
Total clerk	77,778	77,737	41
EQUALIZATION	36,000	35,831	169
BOARD OF REVIEW			
Salaries	2,000	1,924	76
TREASURER			
Salary	50,950	50,950	
Deputy treasurer salary	13,500	14,460	(960)
Professional development	395	230	165
Membership dues	105	105	
Total treasurer	64,950	65,745	(795)
CEMETERY	1,600	2,106	(506)

TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
UNALLOCATED			
Planning and zoning administration	25,878	25,878	
Recording secretary salary	3,500	2,508	992
Longevity	4,750	4,750	
Office assistant	11,261	11,261	
Social security taxes	25,000	20,763	4,237
Health, life and disability	36,000	33,790	2,210
Employee benefits	14,000	9,353	4,647
Employee pension	128,000	126,023	1,977
Reimbursed expenses	500	97	403
Supplies	15,000	15,258	(258)
Public safety officer	30,000	11,213	18,787
Legal and accounting	8,000	7,538	462
Payroll services	6,200	1,913	4,287
Contractual services	23,500	18,972	4,528
Planning consultants	38,400	13,216	25,184
Engineer	8,000	3,218	4,782
Attorney	14,500	16,343	(1,843)
Legal, technical and environmental	5,000		5,000
Dues and subscriptions	5,000	4,085	915
Disaster fund	500		500
Telephone	7,500	6,851	649
Cable franchise	9,650	9,651	(1)
Cable wages	6,000	5,939	61
Holly library	6,500	6,500	
Legal notices	6,000	5,802	198
General insurance	19,000	12,878	6,122
Utilities	7,000	6,883	117
Repairs and maintenance	31,000	29,168	1,832
Repairs and maintenance wages	5,500	5,035	465
Computer maintenance	7,000	7,115	(115)
Online with county	5,000	811	4,189
Miscellaneous	3,000	3,341	(341)
Brandon Township recreation	15,000	15,000	
Youth assistance	10,000	10,000	
Capital outlay	30,347	30,527	(180)
Capital outlay reserve	79,507	79,344	163
Building reserve	6,550		6,550
Write-off delinquent taxes		1,110	(1,110)
	<u>657,543</u>	<u>562,134</u>	<u>95,409</u>
COMMUNITY DEVELOPMENT	<u>23,814</u>	<u>5,769</u>	<u>18,045</u>

TOWNSHIP OF GROVELAND
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PLANNING COMMISSION			
Salaries and dues	8,200	6,755	1,445
ZONING BOARD OF APPEALS			
Salaries	3,500	2,000	1,500
STREET LIGHTING	3,500	3,709	(209)
ROADS	210,730	176,650	34,080
PARKS AND RECREATION	1,800	1,460	340
Total expenditures	<u>\$ 1,197,276</u>	<u>\$ 1,038,259</u>	<u>\$ 159,017</u>

BUILDING
DEPARTMENT
FUND

TOWNSHIP OF GROVELAND
BUILDING DEPARTMENT FUND
BALANCE SHEET
MARCH 31, 2007

		<u>ASSETS</u>	
ASSETS			
Cash and cash equivalents		\$ 15,159	
Due from other funds		<u>1,308</u>	
Total assets			<u>\$ 16,467</u>
		<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES			
Due to other funds			\$ 4,360
FUND BALANCE			<u>12,107</u>
Total liabilities and fund balance			<u>\$ 16,467</u>

TOWNSHIP OF GROVELAND
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Administrative fees	\$	\$ 6,860	\$
Building permits		21,874	
Electrical permits		9,877	
Plumbing permits		4,601	
Heating permits		10,650	
Total revenues	76,520	53,862	(22,658)
EXPENDITURES			
Salary - administrator		22,020	
Inspector - building		15,363	
Inspector - electrical		5,495	
Inspector - plumbing		3,990	
Inspector - heating		5,250	
Payroll taxes		4,002	
Employee benefits		4,465	
Supplies		556	
Legal and accounting		1,550	
Telephone		684	
Education and training		2,345	
Miscellaneous		311	
Insurance		4,300	
Capital outlay		3,670	
Total expenditures	76,520	74,001	2,519
Net change in fund balance		(20,139)	(20,139)
FUND BALANCE, APRIL 1, 2006	32,246	32,246	
FUND BALANCE, MARCH 31, 2007	\$ 32,246	\$ 12,107	\$ (20,139)

FIRE
PROTECTION
FUND

GROVELAND TOWNSHIP
 FIRE PROTECTION FUND
 BALANCE SHEET
 MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents
 Taxes receivable

\$ 868,974
102,862

Total current assets

\$ 971,836

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable
 Due to other funds

\$ 7,937
5,315

Total liabilities

\$ 13,252

FUND BALANCE

958,584

Total liabilities and fund balance

\$ 971,836

GROVELAND TOWNSHIP
 FIRE PROTECTION FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 807,681	\$ 849,961	\$ 42,280
Ambulance billing	215,000	289,442	74,442
Ambulance contract	50,000	45,832	(4,168)
Fire runs	20,000	8,944	(11,056)
Rental income	10,400	9,650	(750)
Camp reimbursements	22,127	23,719	1,592
Special event reimbursements		1,134	1,134
Training	12,500	17,753	5,253
Sale of truck and equipment	866	866	
Interest income	10,000	17,291	7,291
Donation - Village of Holly		56,700	56,700
Miscellaneous		2,555	2,555
	<hr/>	<hr/>	<hr/>
Total revenues	1,148,574	1,323,847	175,273
EXPENDITURES	<hr/>	<hr/>	<hr/>
	1,148,574	1,222,917	(74,343)
Net change in fund balance		100,930	100,930
FUND BALANCE, APRIL 1, 2006	<hr/>	<hr/>	<hr/>
	857,654	857,654	
FUND BALANCE, MARCH 31, 2007	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 857,654	\$ 958,584	\$ 100,930

GROVELAND TOWNSHIP
 FIRE PROTECTION FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED MARCH 31, 2007

EXPENDITURES	Amended Budget	Actual	Variance Favorable (Unfavorable)
Wages - chief	\$ 57,185	\$ 57,185	\$
Wages - assistant chief	22,651	19,855	2,796
Wages - lieutenants	141,225	141,223	2
Wages - secretary	11,261	11,261	
Wages - firefighters	348,168	382,908	(34,740)
Payroll taxes	46,170	47,627	(1,457)
Ambulance services	28,000	25,938	2,062
Employee benefits	90,549	87,534	3,015
Office supplies	16,000	13,726	2,274
Operating supplies	65,000	60,364	4,636
Legal and accounting	4,800	4,709	91
Contractual services	22,000	16,468	5,532
Dues and subscriptions	5,058	4,982	76
Telephone	10,000	9,428	572
Fuel costs	21,000	21,891	(891)
Insurance and bonds	50,750	50,750	
Repairs and maintenance	41,657	41,188	469
Education and training	27,685	22,767	4,918
Utilities	35,000	35,469	(469)
Capital outlay	17,883	74,068	(56,185)
Debt service	85,305	83,833	1,472
Miscellaneous	1,227	4,862	(3,635)
Bad debts		4,881	(4,881)
Total expenditures	\$ 1,148,574	\$ 1,222,917	\$ (74,343)

FIRE IMPROVEMENT
FUND

GROVELAND TOWNSHIP
FIRE IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents

\$ 94,263

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 7,597

FUND BALANCE

86,666

Total liabilities and fund balance

\$ 94,263

GROVELAND TOWNSHIP
 FIRE IMPROVEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED MARCH 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest earned	\$ 2,000	\$ 4,273	\$ 2,273
Federal grant	65,132	65,132	
General reimbursement	25,000		(25,000)
Total revenues	92,132	69,405	(22,727)
EXPENDITURES	92,132	95,771	(3,639)
Net change in fund balance		(26,366)	(26,366)
FUND BALANCE, APRIL 1, 2006	113,032	113,032	
FUND BALANCE, MARCH 31, 2007	\$ 113,032	\$ 86,666	\$ (26,366)

GAS LINE
DEBT
SERVICE
FUND

TOWNSHIP OF GROVELAND
 GAS LINE DEBT SERVICE FUND
 BALANCE SHEET
 MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents	\$	405,518
Taxes receivable		8,406
Special assessment receivable - current		<u>51,233</u>

Total current assets		\$ 465,157
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DEFERRED SPECIAL ASSESSMENT RECEIVABLE		<u>408,844</u>
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Total assets		<u><u>\$ 874,001</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Matured bonds payable	\$	88,616
Deferred revenues		<u>460,077</u>

Total liabilities		\$ 548,693
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RESERVED FUND BALANCE		<u>325,308</u>
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Total liabilities and fund balance		<u><u>\$ 874,001</u></u>
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TOWNSHIP OF GROVELAND
 GAS LINE DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Special assessments - current	\$ 105,589
Interest income	14,366
Connection fees	<u>28,800</u>
Total revenues	<u>148,755</u>
EXPENDITURES	
Principal	90,185
Interest	<u>38,841</u>
Total expenditures	<u>129,026</u>
Net change in fund balance	19,729
FUND BALANCE, APRIL 1, 2006	<u>305,579</u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 325,308</u></u>

CURRENT
TAX
COLLECTION
FUND

TRUST
AND
AGENCY
FUND

TOWNSHIP OF GROVELAND
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2007

		<u>ASSETS</u>	
ASSETS			
Cash and cash equivalents			<u>\$ 20,269</u>
		<u>LIABILITIES</u>	
LIABILITIES			
Due to other funds			\$ 980
Due to others			<u>19,289</u>
Total liabilities			<u>\$ 20,269</u>

TOWNSHIP OF GROVELAND

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2007

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

July 31, 2007

Board of Trustees
Township of Groveland
4695 Grange Hall Road
Holly, Michigan 48442

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Township of Groveland for the year ended March 31, 2007, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

While reviewing reimbursements to employees we found a few which were approved by the payee.

RECOMMENDATION

Reimbursements should be approved by a person other than the person receiving the reimbursement.

2. COMMENT

While reviewing credit card payments we found late fees and finance charges were being accrued and paid. It appears payments are being made after the due date.

RECOMMENDATION

The Township needs to consider methods - procedures to stop the late fees and finance charges.

3. COMMENT

We found some instances where the Township paid sales tax and should not have done so.

RECOMMENDATION

When purchases are made the vendor should be made aware the sale is exempt from sales tax.

4. COMMENT

The Township purchased a watch for a retiring firefighter (merit-award type expenditure). The amount spent was minimal, however, the expenditure is not considered a proper use of public funds.

RECOMMENDATION

The Township should be careful when spending money on these types of expenditures.

5. COMMENT

Some bank accounts were not reconciled to the General Ledger as of March 31, 2007.

RECOMMENDATION

Account reconciliations between the bank and General Ledger should be done monthly.

6. COMMENT

We found several paid invoices for goods or services delivered to the Fire Department were not approved by the Fire Chief.

RECOMMENDATION

All requests for payment (fire expenses) should be approved by the Fire Chief prior to payment.

This letter does not affect our report dated July 31, 2007 on the financial statements of the Township of Groveland.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees and management of the Township of Groveland and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants