

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Pine Grove	County Van Buren
Fiscal Year End March 31, 2007	Opinion Date August 17, 2007	Date Audit Report Submitted to State September 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

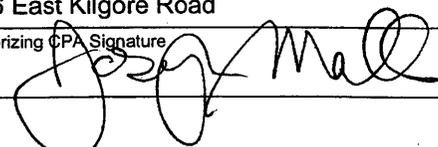
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 report	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State   Zip MI   49002
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

*Township of Pine Grove*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Pine Grove, Michigan**

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

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

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pine Grove, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

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

*Siegfried Crandall P.C.*

August 17, 2007

## **BASIC FINANCIAL STATEMENTS**

**Township of Pine Grove**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<u>Governmental activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 967,228
Prepaid expenses	6,805
Receivables, net	<u>60,668</u>
Total current assets	<u>1,034,701</u>
Noncurrent assets:	
Capital assets not being depreciated - land	79,353
Capital assets, net of accumulated depreciation	<u>452,296</u>
Total noncurrent assets	<u>531,649</u>
Total assets	<u>1,566,350</u>
<b>LIABILITIES</b>	
Current liabilities - payables	<u>158,639</u>
<b>NET ASSETS</b>	
Invested in capital assets	531,649
Restricted for public works	49,296
Unrestricted	<u>826,766</u>
Total net assets	<u>\$ 1,407,711</u>

See notes to financial statements

**Township of Pine Grove**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>	
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 15,851	\$ -	\$ -	\$ (15,851)
General government	209,058	26,567	-	(182,491)
Public safety	136,478	22,830	-	(113,648)
Public works	148,884	13,055	4,461	(131,368)
Community and economic development	5,043	-	-	(5,043)
Health and welfare	<u>2,919</u>	<u>8,473</u>	<u>-</u>	<u>5,554</u>
Total governmental activities	<u>\$ 518,233</u>	<u>\$ 70,925</u>	<u>\$ 4,461</u>	<u>(442,847)</u>
General revenues:				
Taxes				303,270
State grants				212,732
Investment income				<u>37,324</u>
Total general revenues				<u>553,326</u>
Change in net assets				110,479
Net assets - beginning				<u>1,297,232</u>
Net assets - ending				<u>\$ 1,407,711</u>

See notes to financial statements

**Township of Pine Grove**  
**BALANCE SHEET - governmental funds**  
 March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 945,020	\$ -	\$ 22,208	\$ 967,228
Receivables	40,943	11,272	8,453	60,668
Due from other funds	<u>-</u>	<u>38,024</u>	<u>116,026</u>	<u>154,050</u>
Total assets	<u>\$ 985,963</u>	<u>\$ 49,296</u>	<u>\$ 146,687</u>	<u>\$ 1,181,946</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 11,952	\$ -	\$ 146,687	\$ 158,639
Due to other funds	<u>154,050</u>	<u>-</u>	<u>-</u>	<u>154,050</u>
Total liabilities	<u>166,002</u>	<u>-</u>	<u>146,687</u>	<u>312,689</u>
Fund balances:				
Unreserved:				
Designated	-	49,296	-	49,296
Undesignated	<u>819,961</u>	<u>-</u>	<u>-</u>	<u>819,961</u>
Total fund balances	<u>819,961</u>	<u>49,296</u>	<u>-</u>	<u>869,257</u>
Total liabilities and fund balances	<u>\$ 985,963</u>	<u>\$ 49,296</u>	<u>\$ 146,687</u>	<u>\$ 1,181,946</u>

Total fund balances - total governmental funds \$ 869,257

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 6,805

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 531,649

Net assets of *governmental activities* \$ 1,407,711

See notes to financial statements

**Township of Pine Grove**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds**  
Year ended March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 80,987	\$ 141,347	\$ 106,003	\$ 328,337
Licenses and permits	22,830	-	-	22,830
State grants	217,193	-	-	217,193
Charges for services	14,555	-	-	14,555
Interest and rentals	45,797	-	-	45,797
Total revenues	<u>381,362</u>	<u>141,347</u>	<u>106,003</u>	<u>628,712</u>
<b>EXPENDITURES</b>				
Legislative	15,851	-	-	15,851
General government	203,651	-	-	203,651
Public safety	30,475	-	106,003	136,478
Public works	32,357	104,901	-	137,258
Community and economic development	5,043	-	-	5,043
Culture and recreation	474	-	-	474
Total expenditures	<u>287,851</u>	<u>104,901</u>	<u>106,003</u>	<u>498,755</u>
<b>NET CHANGES IN FUND BALANCES</b>	93,511	36,446	-	129,957
<b>FUND BALANCES - BEGINNING</b>	<u>726,450</u>	<u>12,850</u>	<u>-</u>	<u>739,300</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 819,961</u>	<u>\$ 49,296</u>	<u>\$ -</u>	<u>\$ 869,257</u>
Net change in fund balances - total governmental funds				\$ 129,957
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:				
Capital assets:				
Assets acquired				15,826
Provision for depreciation				(35,472)
Net increase in prepaid expenses				<u>168</u>
Change in net assets of <i>governmental activities</i>				<u>\$ 110,479</u>

See notes to financial statements

**Township of Pine Grove**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*March 31, 2007*

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**ASSETS**

Cash	<u>\$ 82,221</u>
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**LIABILITIES**

Payables	<u>\$ 82,221</u>
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*See notes to financial statements*

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

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

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

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

The Road Fund accounts for Township road improvements financed through property taxes.

The Fire Fund accounts for the financial resources used for the operational costs of the Township Fire protection functions. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports two fiduciary funds, its Tax Collection and Agency Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

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

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

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

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets other than infrastructure with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

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

Buildings and improvements	15 - 60 years
Park	3 - 5 years
Roads	5 - 30 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations during the fiscal year.

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH**

The Township's cash is reported as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 966,454	\$ 82,221	\$ 1,048,675
Cash on hand	<u>774</u>	<u>-</u>	<u>774</u>
<b>Total</b>	<b><u>\$ 967,228</u></b>	<b><u>\$ 82,221</u></b>	<b><u>\$ 1,049,449</u></b>

*Deposits with financial institutions:*

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

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, \$1,126,027 of the Township's bank balances of \$1,336,027 was exposed to custodial credit risk because it was uninsured.

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

**NOTE 4 - RECEIVABLES:**

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

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 1,974	\$ 6,174	\$ 32,795	\$ 40,943
Road	-	11,272	-	11,272
Fire	<u>-</u>	<u>8,453</u>	<u>-</u>	<u>8,453</u>
<b>Totals</b>	<b><u>\$ 1,974</u></b>	<b><u>\$ 25,899</u></b>	<b><u>\$ 32,795</u></b>	<b><u>\$ 60,668</u></b>

All receivables are due within one year and are considered fully collectible.

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 79,353	\$ -	\$ -	\$ 79,353
Capital assets being depreciated:				
Buildings	257,928	-	-	257,928
Equipment	35,853	1,548	-	37,401
Infrastructure	300,765	12,500	-	313,265
Park	9,134	1,778	-	10,912
Subtotal	<u>603,680</u>	<u>15,826</u>	<u>-</u>	<u>619,506</u>
Less accumulated depreciation for:				
Buildings	(48,682)	(5,159)	-	(53,841)
Equipment	(26,162)	(3,268)	-	(29,430)
Infrastructure	(47,761)	(27,009)	-	(74,770)
Park	(9,133)	(36)	-	(9,169)
Subtotal	<u>(131,738)</u>	<u>(35,472)</u>	<u>-</u>	<u>(167,210)</u>
Total capital assets being depreciated, net	<u>471,942</u>	<u>(19,646)</u>	<u>-</u>	<u>452,296</u>
Governmental activities capital assets, net	<u>\$ 551,295</u>	<u>\$ (19,646)</u>	<u>\$ -</u>	<u>\$ 531,649</u>

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

Governmental activities:	
General government	\$ 8,427
Public works	24,126
Health and welfare	<u>2,919</u>
Total governmental activities	<u>\$ 35,472</u>

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - PAYABLES:**

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 8,954	\$ 2,998	\$ 11,952
Fire	-	146,687	146,687
 Total	 <u>\$ 8,954</u>	 <u>\$ 149,685</u>	 <u>\$ 158,639</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Road	\$ 38,024	General	<u>\$ 154,050</u>
Fire	<u>116,026</u>		
 Total	 <u>\$ 154,050</u>		

The interfund payables to the Road and Fire Funds represent tax collections held in the General Fund for operational costs of Fire and Road activities.

**NOTE 8 - RISK MANAGEMENT:**

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

**Township of Pine Grove**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. State statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Elected officials must have attained the age of 21 and have completed at least one year of eligibility service, which is a 12 consecutive month period during which an employee completes at least 1,000 hours of service. The first eligibility year of service begins on the day the first hour of service is completed. The Township contributes 17% of the participating employee's annual compensation to the plan. The Township's contributions are fully vested from the date of contribution. The Township is not responsible for investment management of plan assets. The Township made the required contribution of \$8,801.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 22,831
Expenses	<u>29,258</u>
Deficiency of revenues over expenses	<u>\$ (6,427)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Pine Grove**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 105,365	\$ 105,365	\$ 80,987	\$ (24,378)
Licenses and permits	25,000	25,000	22,830	(2,170)
State grants	222,549	222,549	217,193	(5,356)
Charges for services	16,250	16,250	14,555	(1,695)
Interest and rentals	14,300	14,300	45,797	31,497
Other	100	100	-	(100)
Total revenues	<u>383,564</u>	<u>383,564</u>	<u>381,362</u>	<u>(2,202)</u>
<b>EXPENDITURES</b>				
Legislative	<u>15,851</u>	<u>15,851</u>	<u>15,851</u>	<u>-</u>
General government:				
Supervisor	14,269	14,269	13,319	950
Elections	5,749	5,749	5,343	406
Assessor	58,897	58,897	59,027	(130)
Clerk	19,916	19,916	19,121	795
Board of Review	1,615	1,615	63	1,552
Treasurer	22,369	22,369	21,081	1,288
Hall and grounds	24,630	24,630	22,055	2,575
Cemetery	12,850	12,850	12,967	(117)
Other	70,078	70,078	50,675	19,403
Total general government	<u>230,373</u>	<u>230,373</u>	<u>203,651</u>	<u>26,722</u>
Public safety - building inspections	<u>39,500</u>	<u>39,500</u>	<u>30,475</u>	<u>9,025</u>
Public works:				
Street lights	3,007	3,007	3,007	-
Transfer station	38,340	38,340	27,683	10,657
Drains at large	-	-	1,667	(1,667)
Total public works	<u>41,347</u>	<u>41,347</u>	<u>32,357</u>	<u>8,990</u>
Health and welfare - Public transit	<u>600</u>	<u>600</u>	<u>-</u>	<u>600</u>

**Township of Pine Grove**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	\$ 7,536	\$ 7,536	\$ 5,043	\$ 2,493
Culture and recreation:				
Parks	300	300	474	(174)
Library	2,500	2,500	-	2,500
Total culture and recreation	2,800	2,800	474	2,326
Total expenditures	338,007	338,007	287,851	50,156
<b>NET CHANGES IN FUND BALANCES</b>	45,557	45,557	93,511	47,954
<b>FUND BALANCES - BEGINNING</b>	726,450	726,450	726,450	233,296
<b>FUND BALANCES - ENDING</b>	<u>\$ 772,007</u>	<u>\$ 772,007</u>	<u>\$ 819,961</u>	<u>\$ 281,250</u>

**Township of Pine Grove**  
**BUDGETARY COMPARISON SCHEDULE - Road Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 135,370	\$ 135,370	\$ 141,347	\$ 5,977
<b>EXPENDITURES</b>				
Public works	<u>142,418</u>	<u>151,198</u>	<u>104,901</u>	<u>46,297</u>
<b>NET CHANGES IN FUND BALANCES</b>	(7,048)	(15,828)	36,446	52,274
<b>FUND BALANCES - BEGINNING</b>	<u>12,850</u>	<u>12,850</u>	<u>12,850</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 5,802</u>	<u>\$ (2,978)</u>	<u>\$ 49,296</u>	<u>\$ 52,274</u>

**Township of Pine Grove**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 106,003	\$ 106,003	\$ -
<b>EXPENDITURES</b>				
Public safety	<u>-</u>	<u>106,003</u>	<u>106,003</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Members of the Township Board  
Township of Pine Grove, Michigan**

In planning and performing our audit of the financial statements of the Township of Pine Grove as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Pine Grove's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Siegfried Crandall P.C.*

August 17, 2007