TOWNSHIP OF PIPESTONE
Berrien County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Township of Pipestone	Berrien

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2008	June 17, 2008	June 19, 2008

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	N/A

Certified Public Accountant (Firm Name)	Telephone Number		
Campbell, Kusterer & Co., P.C.	989-894-1040		
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707

Authorizing CPA Signature	Printed Name	License Number
	Mark J. Campbell	1101007803

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 17, 2008

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Pipestone, Berrien County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Pipestone's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pipestone, Berrien County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Campbell, Kusterer & Co., P.C.

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Pipestone covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled $363,680.07 for governmental activities.

Overall revenues were $290,779.26. Governmental activities had a $21,243.81 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	Total Governmental Activities 2007	Total Governmental Activities 2008
Current Assets	330 732	287 053
Capital Assets	50 904	106 027
Total Assets	381 636	393 080
Current Liabilities	-	-
Non-current Liabilities	39 200	29 400
Total Liabilities	39 200	29 400
Net Assets:		
Invested in Capital Assets	11 704	76 627
Unrestricted	330 732	287 053
Total Net Assets	342 436	363 680

	Total Governmental Activities 2007	Total Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	31 917	34 981
General Revenues:		
Property Taxes	51 371	54 191
State Revenue Sharing	159 374	160 662
Interest	13 128	11 706
Miscellaneous	500	29 239
Total Revenues	256 290	290 779
Program Expenses:		
Legislative	2 369	2 622
General Government	104 040	97 884
Public Safety	93 017	90 747
Public Works	41 385	75 242
Recreation and Culture	660	690
Other	2 350	2 350
Total Expenses	243 821	269 535
Increase in Net Assets	12 469	21 244
Net Assets, April 1	329 967	342 436
Net Assets, March 31	342 436	363 680

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are roads which incurred expenses of $70,135.66 and fire protection which incurred expenses of $66,869.04.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested $57,840.00 in capital assets this year.

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

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

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

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Richard Skibbe (269) 461-6314 or the Township Clerk, Alan Nimtz (269) 944-1063.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	282 801 82
Taxes receivable	4 251 25
Total Current Assets	287 053 07
NON-CURRENT ASSETS:	
Capital Assets	111 784 76
Less: Accumulated Depreciation	(5 757 76)
Total Non-current Assets	106 027 00
TOTAL ASSETS	393 080 07
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Current Liabilities	-
LONG-TERM LIABILITIES:	
Contract payable	29 400 00
Total Long-Term Liabilities	29 400 00
TOTAL LIABILITIES	29 400 00
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	76 627 00
Unrestricted	287 053 07
Total Net Assets	363 680 07
TOTAL LIABILITIES AND NET ASSETS	393 080 07

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program Revenue	Governmental Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	2 622 00	-	(2 622 00)
General government	97 884 49	15 400 00	(82 484 49)
Public safety	90 746 63	19 581 00	(71 165 63)
Public works	75 242 33	-	(75 242 33)
Culture and recreation	690 00	-	(690 00)
Other	2 350 00	-	(2 350 00)
Total Governmental Activities	269 535 45	34 981 00	(234 554 45)
General Revenues:			
Property taxes			54 191 07
State revenue sharing			160 661 73
Interest			11 706 00
Miscellaneous			29 239 46
Total General Revenues			255 798 26
Change in net assets			21 243 81
Net assets, beginning of year			342 436 26
Net Assets, End of Year			363 680 07

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	General	Building	Total
Assets			
Cash in bank	261 596 08	21 193 07	282 789 15
Taxes receivable	4 251 25	-	4 251 25
Due from other funds	12 67	-	12 67
Total Assets	265 860 00	21 193 07	287 053 07
Liabilities and Fund Equity			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	265 860 00	21 193 07	287 053 07
Total fund equity	265 860 00	21 193 07	287 053 07
Total Liabilities and Fund Equity	265 860 00	21 193 07	287 053 07

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	287 053 07
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	111 784 76
Accumulated depreciation	(5 757 76)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	(29 400 00)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	363 680 07

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2008

	General	Building	Total
Revenues:			
Property taxes	54 191 07	-	54 191 07
Licenses and permits	-	19 581 00	19 581 00
State revenue sharing	160 661 73	-	160 661 73
Charges for services	15 400 00	-	15 400 00
Interest	11 706 00	-	11 706 00
Miscellaneous	29 239 46	-	29 239 46
Total revenues	271 198 26	19 581 00	290 779 26
Expenditures:			
Legislative:			
Township Board	2 622 00	-	2 622 00
General government:			
Supervisor	9 847 75	-	9 847 75
Elections	2 016 54	-	2 016 54
Clerk	14 497 48	-	14 497 48
Assessor	18 035 90	-	18 035 90
Treasurer	11 361 69	-	11 361 69
Cemetery	20 165 29	-	20 165 29
Township Hall	2 267 33	-	2 267 33
Financial administration	16 975 59	-	16 975 59
Public safety:			
Enforcement	1 435 53	-	1 435 53
Fire protection	66 869 04	-	66 869 04
Planning	5 072 50	-	5 072 50
Protective inspection	-	17 369 56	17 369 56
Public works:			
Landfill	937 00		937 00
Highways and streets	70 135 66	-	70 135 66
Drains at large	4 169 67	-	4 169 67
Culture and recreation:			
Library	690 00	-	690 00
Other functions:			
Community development	2 350 00	-	2 350 00
Debt service	9 800 00	-	9 800 00
Capital outlay	57 840 00	-	57 840 00
Total expenditures	317 088 97	17 369 56	334 458 53
Excess (deficiency) of revenues over expenditures	(45 890 71)	2 211 44	(43 679 27)
Fund balances, April 1	311 750 71	18 981 63	330 732 34
Fund Balances, March 31	265 860 00	21 193 07	287 053 07

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	(43 679 27)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(2 716 92)
Capital Outlay	57 840 00
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	
Contract payable	9 800 00
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	21 243 81

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

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

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

Special Revenue Fund

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

Fiduciary Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .8856 mills, and the taxable value was $61,215,522.00.

Encumbrances

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Buildings	50 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

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

Note 3 – Deposits and Investments

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

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

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

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

	Carrying Amounts
Total Deposits	282 801 82

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

	Bank Balances
Insured (FDIC)	183 137 43
Uninsured and Uncollateralized	100 012 67
Total Deposits	283 150 10

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

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

Concentration of Credit Risk

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

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

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

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

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

Note 4 – Capital Assets

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

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Governmental Activities:				
Land	4 200 00	-	-	4 200 00
Building	85 000 00	57 840 00	(40 000 00)	102 840 00
Equipment	4 744 76	-	-	4 744 76
Total	93 944 76	57 840 00	(40 000 00)	111 784 76
Accumulated Depreciation	(43 040 84)	(2 716 92)	40 000 00	(5 757 76)
Net Capital Assets	50 903 92	55 123 08	-	106 027 00

Note 5 – Changes in Long -Term Debt

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Contract Payable	39 200 00	-	9 800 00	29 400 00

Note 6 – Contract Payable

On November 13, 2006, the Township obtained a contract payable in the amount of $39,200.00, to partially fund the purchase of a new Township hall. The contract requires semi-annual payments of $4,900.00 beginning June 30, 2008. The contract is interest free. As of March 31,2008, the principal balance outstanding was $29,400.00.

Note 7 – Pension Plan

The Township does not have a pension plan.

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Risk Management

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

Note 10 – Building Permits

As of March 31, 2008, the Township had building permit revenues of $19,581.00 and building permit expenses of $17,369.56.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	12 67	Current Tax Collection	12 67
Total	12 67	Total	12 67

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	56 500 00	56 500 00	54 191 07	(2 308 93)
State revenue sharing	155 000 00	155 000 00	160 661 73	5 661 73
Charges for services	10 410 00	10 410 00	15 400 00	4 990 00
Interest	80 00	80 00	11 706 00	11 626 00
Miscellaneous	5 010 00	5 010 00	29 239 46	24 229 46
Total revenues	227 000 00	227 000 00	271 198 26	44 198 26
Expenditures:				
Legislative:				
Township Board	2 822 00	2 622 00	2 622 00	-
General government:				
Supervisor	9 890 00	9 847 75	9 847 75	-
Elections	1 500 00	2 016 54	2 016 54	-
Clerk	13 495 00	14 497 48	14 497 48	-
Assessor	15 750 00	18 035 90	18 035 90	-
Board of Review	600 00	-	-	-
Treasurer	11 218 00	11 361 69	11 361 69	-
Cemetery	20 075 00	20 165 29	20 165 29	-
Township Hall	51 450 00	2 267 33	2 267 33	-
Financial administration	27 650 00	16 975 59	16 975 59	-
Public safety:				
Enforcement	2 425 00	1 435 53	1 435 53	-
Fire protection	77 600 00	66 869 04	66 869 04	-
Planning	1 355 00	5 072 50	5 072 50	-
Public works:				
Landfill	-	937 00	937 00	-
Highways and streets	34 500 00	70 135 66	70 135 66	-
Drains at large	2 000 00	4 169 67	4 169 67	-
Culture and recreation:				
Library	720 00	690 00	690 00	-
Other functions:				
Community development	6 725 00	2 350 00	2 350 00	-
Debt service	-	9 800 00	9 800 00	-
Capital outlay	-	57 840 00	57 840 00	-
Total expenditures	279 775 00	317 088 97	317 088 97	-
Excess (deficiency) of revenues over expenditures	(52 775 00)	(90 088 97)	(45 890 71)	44 198 26
Fund balance, April 1	52 775 00	90 088 97	311 750 71	221 661 74
Fund Balance, March 31	-	-	265 860 00	265 860 00

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Licenses and permits	22 500 00	22 500 00	19 581 00	(2 919 00)
Total revenues	22 500 00	22 500 00	19 581 00	(2 919 00)
Expenditures:				
Public safety:				
Protective inspection	20 225 00	17 369 56	17 369 56	-
Total expenditures	20 225 00	17 369 56	17 369 56	-
Excess (deficiency) of revenues over expenditures	2 275 00	5 130 44	2 211 44	(2 919 00)
Fund balance, April 1	-	-	18 981 63	18 981 63
Fund Balance, March 31	2 275 00	5 130 44	21 193 07	16 062 63

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	2 622 00
Supervisor:	
Salary	9 770 00
Miscellaneous	77 75
	9 847 75
Elections:	
Wages	1 855 26
Supplies	161 28
	2 016 54
Clerk:	
Salary	12 703 33
Supplies	1 451 22
Miscellaneous	342 93
	14 497 48
Assessor:	
Salary	15 929 28
Supplies	1 689 86
Miscellaneous	416 76
	18 035 90
Treasurer:	
Salary – Treasurer	10 438 00
Miscellaneous	923 69
	11 361 69
Cemetery:	
Supervisor salary	1 600 00
Sexton wages	8 436 00
Repairs and maintenance	2 575 75
Opening/closing	7 100 00
Miscellaneous	453 54
	20 165 29
Township Hall:	
Utilities	1 338 58
Repairs and maintenance	928 75
	2 267 33
Financial administration:	
Audit	2 000 00
Insurance	4 542 00
Dues	1 305 95
Legal	418 00
Supplies	792 07
Printing and publishing	1 640 06
Payroll taxes	3 104 63
Miscellaneous	645 00
Computer service	2 527 88
	16 975 59

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Enforcement:	
Wages	1 006 95
Supplies	428 58
	1 435 53
Fire protection:	
Fire board wages	960 00
Contracted services	65 909 04
	66 869 04
Planning:	
Commission wages	270 00
Miscellaneous	4 802 50
	5 072 50
Landfill	937 00
Highways and streets	70 135 66
Drains at large	4 169 67
Library:	
Board wages	690 00
Community development	2 350 00
Debt service	9 800 00
Capital outlay	57 840 00
Total Expenditures	317 088 97

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Assets				
Cash in Bank	11 06	805 683 27	805 681 66	12 67
Liabilities				
Due to other funds	11 06	49 955 30	49 953 69	12 67
Due to others	-	755 727 97	755 727 97	-
Total Liabilities	11 06	805 683 27	805 681 66	12 67

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	11 06
Cash receipts:	
Property tax	805 563 27
Animal licenses	120 00
Total cash receipts	805 683 27
Total beginning balance and cash receipts	805 694 33
Cash disbursements:	
Township General Fund	49 953 69
Berrien County	68 071 35
Berrien Intermediate School District	132 889 17
Lake Michigan Community College	101 217 14
Eau Claire Schools	409 863 51
Dowagiac Schools	1 641 43
Eau Claire District Library	38 591 30
State of Michigan	2 782 40
Refunds	671 67
Total cash disbursements	805 681 66
Cash in Bank – End of Year	12 67

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 17, 2008

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the financial statements of the Township of Pipestone for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

To the Township Board
Township of Pipestone
Berrien County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

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

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

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

Sincerely,

Campbell Kusterer & Co., P.C.

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