

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 <i>Sharon L. Vargo</i>	Printed Name		License Number	

Township of Pokagon, Michigan

**Financial Report
with Supplemental Information
March 31, 2007**

Township of Pokagon

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Independent Auditor's Report

To the Members of the Township Board
Township of Pokagon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pokagon as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Pokagon'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 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 Pokagon as of March 31, 2007 and the respective changes in financial position 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 the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 14, 2007

Township of Pokagon

Management's Discussion and Analysis

Our discussion and analysis of the Township of Pokagon's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- State-shared revenue, our second largest revenue source, remained stable this year. The Township's continued monitoring of expenditures resulted in a fund balance increase of approximately \$72,000 in the General Fund.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007 and 2006:

	Governmental Activities	
	2007	2006
Assets		
Current assets	\$ 1,214,608	\$ 1,240,605
Noncurrent assets	<u>476,090</u>	<u>208,976</u>
Total assets	1,690,698	1,449,581
Current Liabilities	<u>9,315</u>	<u>10,248</u>
Net Assets		
Invested in capital assets	476,090	208,976
Restricted	225,019	323,811
Unrestricted	<u>980,274</u>	<u>906,546</u>
Total net assets	<u>\$ 1,681,383</u>	<u>\$ 1,439,333</u>

The Township's net assets increased approximately 17 percent from a year ago - increasing from \$1,439,333 to \$1,681,383. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by approximately \$74,000. This represents an increase of approximately 8 percent. The current level of unrestricted net assets for our governmental activities stands at \$980,274.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year as compared to the prior year:

	Governmental Activities	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 28,130	\$ 39,002
Operating grants and contributions	11,112	12,108
Capital grants and contributions	76,581	4,800
General revenue:		
Property taxes	202,477	190,426
State-shared revenue	150,318	150,601
Unrestricted investment earnings	54,513	34,544
Other revenue	6,062	6,944
Total revenue	<u>529,193</u>	<u>438,425</u>
Program Expenses		
General government	125,825	123,878
Public safety	139,141	120,258
Community and economic development	22,177	17,236
Total program expenses	<u>287,143</u>	<u>261,372</u>
Change in Net Assets	<u><u>\$ 242,050</u></u>	<u><u>\$ 177,053</u></u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$91,000. The increase was partially due to receipt of a federal grant in the amount of \$76,600 in 2007.

Expenses increased by about \$26,000 during the year. Part of this increase (\$13,000) was additional depreciation expense due to large capital asset purchases in 2006 and 2007.

Township of Pokagon

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages for fire and ambulance services. The Township's major funds for 2007 include the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant was community and economic development, which incurred expenses of approximately \$126,000 in 2007 for road improvements. A portion of the road improvements cost was subsidized by a federal grant.

General Fund Budgetary Highlights

The only significant difference between budgeted and actual amounts (revenue and expenditures) was a federal grant of approximately \$76,500 used for road construction.

Capital Asset and Debt Administration

The major capital additions during the current year related to various road improvement projects, including Sink Road, which totaled approximately \$126,000. A new fire truck was also purchased for approximately \$160,000. No debt was incurred related to these projects.

Economic Factors and Next Year's Budgets and Rates

The Township is anticipating 1,500 acres of property coming off the tax rolls once the Pokagon Band of Potawatomi Indians' application is approved for trust status. The Township believes the effect of this transaction on revenue will be minimal.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Pokagon

Statement of Net Assets March 31, 2007

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 463,445
Investments (Note 3)	735,169
Receivables - Net (Note 4)	15,994
Capital assets - Net (Note 5)	476,090
Total assets	<u>1,690,698</u>
Liabilities	
Accounts payable	8,461
Accrued liabilities and other	854
Total liabilities	<u>9,315</u>
Net Assets	
Invested in capital assets	476,090
Restricted:	
Cemetery	88,820
Fire	128,306
Ambulance	7,893
Unrestricted	980,274
Total net assets	<u><u>\$ 1,681,383</u></u>

Township of Pokagon

Statement of Activities Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) Revenue and Changes in Net Assets
				Primary Governmental Activities	
Primary government -					
Governmental activities:					
General government	\$ 125,825	\$ 2,375	\$ -	\$ -	\$ (123,450)
Public safety	139,141	21,782	-	-	(117,359)
Community and economic development	22,177	3,973	11,112	76,581	69,489
Total primary government	<u>\$ 287,143</u>	<u>\$ 28,130</u>	<u>\$ 11,112</u>	<u>\$ 76,581</u>	(171,320)
General revenues:					
Property taxes					202,477
State-shared revenue					150,318
Unrestricted investment earnings					54,513
Other revenue					6,062
Total general revenues					<u>413,370</u>
Change in Net Assets					242,050
Net Assets - Beginning of year					<u>1,439,333</u>
Net Assets - End of year					<u>\$ 1,681,383</u>

Township of Pokagon

Governmental Funds Balance Sheet March 31, 2007

	Nonmajor Funds				Total Governmenta l Funds
	General Fund	Fire Special Revenue Fund	Cemetery Special Revenue Fund	Ambulance Special Revenue Fund	
Assets					
Cash and cash equivalents	\$ 310,706	\$ 58,656	\$ 88,820	\$ 5,263	\$ 463,445
Investments	675,468	58,601	-	1,100	735,169
Receivables - Net	3,415	11,049	-	1,530	15,994
	<u>3,415</u>	<u>11,049</u>	<u>-</u>	<u>1,530</u>	<u>15,994</u>
Total assets	<u>\$ 989,589</u>	<u>\$ 128,306</u>	<u>\$ 88,820</u>	<u>\$ 7,893</u>	<u>\$ 1,214,608</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 8,461	\$ -	\$ -	\$ -	\$ 8,461
Accrued liabilities and other liabilities	854	-	-	-	854
	<u>854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854</u>
Total liabilities	9,315	-	-	-	9,315
Fund Balances					
Reserved for Cemetery	-	-	88,820	-	88,820
Unreserved, reported in:					
General Fund	980,274	-	-	-	980,274
Special Revenue Funds	-	128,306	-	7,893	136,199
	<u>980,274</u>	<u>128,306</u>	<u>-</u>	<u>7,893</u>	<u>1,205,293</u>
Total fund balances	980,274	128,306	88,820	7,893	1,205,293
Total liabilities and fund balances	<u>\$ 989,589</u>	<u>\$ 128,306</u>	<u>\$ 88,820</u>	<u>\$ 7,893</u>	<u>\$ 1,214,608</u>

Township of Pokagon

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **Year Ended March 31, 2007**

Fund Balance Reported in Governmental Funds	\$ 1,205,293
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 are not reported in the funds	<u>476,090</u>
Net Assets of Governmental Activities	<u>\$ 1,681,383</u>

Township of Pokagon

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	General Fund	Fire Special Revenue Fund	Nonmajor Funds		Total
			Cemetery Special Revenue Fund	Ambulance Special Revenue Fund	
Revenue					
Property taxes	\$ 46,720	\$ 141,577	\$ -	\$ 14,180	\$ 202,477
Fees and permits	24,877	-	-	-	24,877
Federal grants	76,581	-	-	-	76,581
State sources	161,430	-	-	-	161,430
Interest income	42,551	7,588	4,326	48	54,513
Other	7,840	-	1,475	-	9,315
Total revenue	359,999	149,165	5,801	14,228	529,193
Expenditures - Current					
General government	124,315	-	-	-	124,315
Public safety	23,179	252,598	-	14,105	289,882
Community and economic development	140,060	-	-	-	140,060
Total expenditures	287,554	252,598	-	14,105	554,257
Net Change in Fund Balances	72,445	(103,433)	5,801	123	(25,064)
Fund Balances - Beginning of year	907,829	231,739	83,019	7,770	1,230,357
Fund Balances - End of year	\$ 980,274	\$ 128,306	\$ 88,820	\$ 7,893	\$ 1,205,293

Township of Pokagon

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (25,064)
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:	
Additions	290,434
Depreciation	<u>(23,320)</u>
Change in Net Assets of Governmental Activities	<u>\$ 242,050</u>

Township of Pokagon

Notes to Financial Statements March 31, 2007

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Township of Pokagon (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Pokagon:

Reporting Entity

The Township of Pokagon is governed by an elected five-member board of trustees. The accompanying financial statements present the activities of the Township. There are no component units to be included in these financial statements in accordance with accounting principles generally accepted in the United States of America.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - 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. General Fund activities are financed by revenue from property taxes, state-shared revenue, and other sources.

Special Revenue Fund - Fire Fund - The Fire Fund accounts for resources from a property tax levy restricted for payments to contracted local fire departments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

Township of Pokagon

Notes to Financial Statements March 31, 2007

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Township totaled \$59.3 million, on which taxes levied consisted of 0.7847 mills for operating purposes. There were also taxes levied for fire and ambulance services (with varying taxable properties and millages). This resulted in approximately \$47,000 for operating, \$142,000 for contracted fire services, and \$14,000 for contracted ambulance services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	40 years
Buildings and improvements	40 years
Public safety vehicle	25 years
Road improvements	20 years
Land improvements	40 years

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Pokagon

Notes to Financial Statements March 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Surplus at April 1, 2006		\$	1,283
Current year permit revenue			22,682
Related expenses:			
Direct costs	\$	23,179	
Estimated indirect costs		<u>8,601</u>	<u>31,780</u>
Current year shortfall			<u>(9,098)</u>
Cumulative shortfall at March 31, 2007		\$	<u>(7,815)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in compliance with the state statutory authority as listed above. The Township's deposits and investment policies are also in accordance with statutory authority.

Township of Pokagon

Notes to Financial Statements March 31, 2007

Note 3 - Deposits and Investments (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$161,001 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fidelity Institutional Money Market Funds	\$ 735,169	Aaa	Moody's
Michigan Cooperative Liquid Assets Securities	46,632	Aaa	Fitch

Note 4 - Receivables

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

	<u>General Fund</u>	<u>Fire Special Revenue Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables - Taxes	\$ 3,415	\$ 11,049	\$ 1,530	\$ 15,994

Township of Pokagon

Notes to Financial Statements March 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

Governmental Activities	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
Capital assets not being depreciated - Land	\$ 14,648	\$ -	\$ -	\$ 14,648
Capital assets being depreciated:				
Land improvements	7,362	-	-	7,362
Buildings and improvements	93,530	3,615	-	97,145
Public safety vehicle	81,707	160,426	-	242,133
Road improvements	43,803	126,393	-	170,196
Office furnishings	43,224	-	(550)	42,674
Subtotal	269,626	290,434	(550)	559,510
Accumulated depreciation:				
Land improvements	4,121	184	-	4,305
Buildings and improvements	24,112	2,429	-	26,541
Public safety vehicle	9,805	9,685	-	19,490
Road improvements	2,190	8,510	-	10,700
Office furnishings	35,070	2,512	(550)	37,032
Subtotal	75,298	23,320	(550)	98,068
Net capital assets being depreciated	194,328	267,114	-	461,442
Net capital assets	<u>\$ 208,976</u>	<u>\$ 267,114</u>	<u>\$ -</u>	<u>\$ 476,090</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,125
Public safety	9,685
Community and economic development	8,510
Total governmental activities	<u>\$ 23,320</u>

Note 6 - 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 participates in the Michigan Townships Participating Plan for all claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Required Supplemental Information

Township of Pokagon

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original/ Amended Budget	Actual	Variance with Budget
Revenue			
Property taxes	\$ 44,070	\$ 46,720	\$ 2,650
Fees and permits	33,670	24,877	(8,793)
Federal grants	-	76,581	76,581
State sources	165,300	161,430	(3,870)
Interest income	22,000	42,551	20,551
Other	7,600	7,840	240
Total revenue	272,640	359,999	87,359
Expenditures - Current			
General government:			
General	30,160	23,909	6,251
Supervisor	31,200	33,120	(1,920)
Treasurer	14,600	14,028	572
Board of Review	850	618	232
Clerk	14,650	13,401	1,249
Elections	2,000	3,485	(1,485)
Township hall	20,600	10,570	10,030
Cemetery	16,330	13,804	2,526
Other	10,200	11,380	(1,180)
Total general government	140,590	124,315	16,275
Public safety	24,130	23,179	951
Community and economic development	77,000	140,060	(63,060)
Other functions	30,920	-	30,920
Total expenditures	272,640	287,554	(14,914)
Net Change in Fund Balance	-	72,445	72,445
Fund Balance - Beginning of year	907,829	907,829	-
Fund Balance - End of year	\$ 907,829	\$ 980,274	\$ 72,445

Township of Pokagon

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Fire Fund Year Ended March 31, 2007

	Original/ Amended Budget	Actual	Variance with Budget
Revenue			
Property taxes	\$ 130,027	\$ 141,577	\$ 11,550
Interest income	3,000	7,588	4,588
Total revenue	133,027	149,165	16,138
Expenditures - Current - Public safety	130,030	252,598	(122,568)
Net Change in Fund Balance	2,997	(103,433)	(106,430)
Fund Balance - Beginning of year	231,739	231,739	-
Fund Balance - End of year	<u>\$ 234,736</u>	<u>\$ 128,306</u>	<u>\$ (106,430)</u>

Township of Pokagon

Note to Required Supplemental Information Year Ended March 31, 2007

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Fire Special Revenue Fund. All annual appropriations lapse at fiscal year end. The Township supervisor prepares the budget 30 to 60 days prior to year end after consulting with department heads. The budget is submitted to the board for approval in late March, and was not amended during the year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrance accounting is not employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Significant expenditures budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Community and economic development	\$ 77,000	\$ 140,060
Fire Fund - Public safety	130,030	252,598

The General Fund expenditure overrun was offset by additional unbudgeted revenue of \$76,581.

September 14, 2007

To the Members of the Township Board
Township of Pokagon
30683 Peavine St.
Dowagiac, MI 49047

Dear Board Members:

We recently completed our audit of the basic financial statements of the Township of Pokagon for the year ended March 31, 2007 and have issued our report thereon dated September 14, 2007. In addition to the audit report, we offer the following comments and recommendations for your consideration.

Budget

The Township's budget was not amended during the fiscal year. Michigan Public Act 621 (budget act) requires amending the budget prior to incurring expenditures that will exceed the original budget. We encourage the board to adopt this practice in the future to show compliance with state law.

Statements on Auditing Standards 104 to 111 - The Risk Assessment Standards - The AICPA issued Statements on Auditing Standards (SAS 104 - SAS 111) which will substantially affect the auditing process. The effective date for government audits will be for the audit of the financial statements for years ending December 31, 2007 and later. These standards essentially redefine the audit process from start to finish and the ramifications for the audit process are substantial.

The new standards primarily require:

- The auditor to obtain a deeper understanding of: (1) the Township and its internal control, for the purpose of identifying the risks of material misstatement in the financial statements; and (2) what the Township is doing to mitigate those risks
- A more rigorous assessment of the risks of material misstatement based on that understanding, with additional emphasis on significant risks that call for special audit consideration
- A clearer linkage between the assessed risks and the audit procedures performed, including tests of controls and substantive tests, in response to those risks

We have invested substantial resources into the redesign of our audit process to conform to these requirements. Our ultimate goal, as in the past, is to provide a quality audit, in full conformance to the requirements, which is tailored to the unique environment for Michigan municipals. As a result, our 2008 audit process will have many new features and elements built in. We will work with you to understand the elements, involve you in the information gathering process, and perform audit tests focused on the risks embedded in the Township's financial statements. To provide you with as much lead time as possible in the data gathering process, we will review the information needs and provide the necessary tools in the next 60 to 90 days.

We would like to thank the members of the Township board for the opportunity to serve as the auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us during our audit. As always, please feel free to call with questions regarding the information above or that which is presented in the basic financial statements.

Very truly yours,

Plante & Moran, PLLC