

**TOWNSHIP OF BEAVER CREEK
CRAWFORD COUNTY, MI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

**Beaver Creek Township
Board Members**

Brian Ashton, Supervisor

Sharon Hartman, Clerk

Vivian Balmes, Treasurer

Meagan Little, Trustee

Gary Summers, Trustee

Township of Beaver Creek

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Independent Auditor's Report

February 25, 2009

To the Township Board
Beaver Creek Township
Crawford County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund activities, and the aggregate remaining fund information of the Township of Beaver Creek, as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund activities and the aggregate remaining fund information of the Township of Beaver Creek as of June 30, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 24-29 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 supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Reppuhn LLP

KESKINE, COOK, MILLER & REPPUHN, LLP

*OFFICE OF THE SUPERVISOR
BEAVER CREEK TOWNSHIP
8888 S. GRAYLING ROAD
GRAYLING, MI 49738*

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

This section of the Beaver Creek Township annual financial report presents our discussion and analysis of the entity's financial performance during the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS:

Assets totaled approximately \$1,100,000, of which \$624,000 represents capital assets net of accumulated depreciation. Liabilities totaled approximately \$512,000, of which approximately \$105,000 is payable within the next fiscal year.

Overall revenues approximated \$679,000. Of this total, approximately \$40,000 represents program revenues, consisting mainly of charges for services and program-specific grants; \$639,000 represents general revenues, primarily comprised of property tax income and state shared revenues.

Expenditures for the Township totaled \$681,000. Major expenditures include township administration, public safety, and public works.

The Township's taxable value increased by 3.58% during the last year, from \$85,353,461 to \$88,409,815.

OVERVIEW OF THE 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.

The first two statements are government-wide financial statements and provide both long and short-term information about the overall financial status of the Township.

The remaining statements are fund financial statements which focus on individual parts of the entity 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.

GOVERNMENT-WIDE STATEMENTS

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

Over time, increases and decreases in net assets are an indicator of whether financial position is improving or deteriorating. However, to assess overall health of the Township, you may also have to consider additional factors such as tax base changes, economic conditions, and facility conditions.

All of the activities of the Township are reported as governmental activities. The Township does not engage in any business-type activities.

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. They also may be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following kinds of funds:

Governmental Funds

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

Fiduciary Funds

The Township acts as a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are distributed according to their intended purpose and at the direction of those to whom the funds belong. These activities do not appear in the government-wide financial statements since the assets do not belong to the Township.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets - the Township's net assets for the year ended June 30, 2008 totaled \$560,115, a decrease from the prior year of \$2,019.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – During the year ended June 30, 2008, the general fund's total revenue increased by approximately \$79,000. This increase is attributable to a new assessment approved by the Township residents for a new garbage transfer site as well as loan proceeds used to construct the new transfer site. Expenditures increased by approximately \$78,000 due to the construction of and the funds necessary to run the new transfer site.

Fire Fund – During the year ended June 30, 2008, the fire fund's total revenue increased by approximately \$30,000. This increase is attributable to insurance proceeds received following an accident involving a fire truck. The insurance proceeds were used to repair the damaged truck as well as covering the cost to provide a replacement truck while repairs occurred.

Park Fund – The Park Fund received most of its revenue from rent and picnic donations. The major expenditures are the annual picnic and maintenance.

Liquor Law Enforcement Fund – Activities remain stable with monies received from the State for support.

CAPITAL ASSET AND LONG TERM DEBT ACTIVITY

Capital Assets

The Township expended approximately \$68,776 on the garbage transfer site and a used fire truck.

Long-Term Debt

The Township incurred \$62,231 in new debt during the year related to the new transfer site and the fire truck. Interest paid on long-term debt totaled to \$27,067.

CONTACTING ENTITY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and interested parties with a general overview of the Township's finances and to demonstrate its accountability for the revenues it receives. If you have questions concerning this report, please contact Beaver Creek Township, 8888 S. Grayling Road, Grayling, MI 49738 or call 989 275-8878.



Brian Ashton, Supervisor
Beaver Creek Township

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF NET ASSETS
JUNE 30, 2008**

Assets	
Cash and equivalents	\$ 134,448
Special assessments receivable	313,397
Capital assets not being depreciated	45,000
Capital assets being depreciated	579,194
	1,072,039
Liabilities	
Accrued liabilities	2,653
Accrued interest	8,763
Long-term debt:	
Due in one year or less	93,573
Due in more than one year	406,935
	511,924
Net Assets	
Invested in capital assets, net of related debt	123,686
Restricted for:	
Fire protection	4,612
Parks and recreation	18,575
Liquor law enforcement	221
Unrestricted	413,021
	560,115
Total net assets	\$ 560,115

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions / Programs	P r o g r a m R e v e n u e s			Net (Expense) Revenue and Changes in Net Assets
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				Primary Government
Primary government:				
Governmental activities:				
General government	\$ 277,676	\$ 21,740	\$ -	(252,221)
Public safety	325,698	10,807	-	(314,891)
Public works	41,177	-	-	(41,177)
Recreation and culture	8,640	-	3,502	(5,138)
Interest on long-term debt	27,584	-	-	(27,584)
Total primary government	\$ 680,775	\$ 32,547	\$ 7,217	(641,011)
General revenues:				
Taxes and assessments				406,387
State shared revenue (not restricted to specific purpose)				101,868
Property tax administration fee				31,714
Interest income				5,536
Rents and royalties				40,027
Other				53,460
Total general revenues				638,992
Change in net assets				(2,019)
Net Assets - Beginning of Year				562,134
Net Assets - End of Year				\$ 560,115

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Major Funds</u>		Non-major Funds	Total
	General	Fire		
Assets				
Cash	\$ 109,670	\$ 5,982	\$ 18,796	\$ 134,448
Special assessments receivable	313,397	-	-	313,397
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 423,067	\$ 5,982	\$ 18,796	\$ 447,845
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balance				
Liabilities:				
Accrued wages	\$ 1,283	\$ 1,370	\$ -	\$ 2,653
Deferred revenue	313,397	-	-	313,397
Due to other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	314,680	1,370	-	316,050
Fund balance:				
Reserved for:				
Fire protection	-	4,612	-	4,612
Parks and recreation	-	-	18,575	18,575
Liquor law enforcement	-	-	221	221
Unreserved / Undesignated	108,387	-	-	108,387
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	108,387	4,612	18,796	131,795
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 423,067	\$ 5,982	\$ 18,796	\$ 447,845
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balance - Governmental Activities (per Balance Sheet - page 8)	\$	131,795
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds		624,194
Long-term debt is not recorded in the fund financial statements		(500,508)
The fund financial statements do not recognize revenue until it is measurable and available; the government-wide statements record revenue as it is earned, regardless of when it is collected. This amount represents the revenue that has been deferred in the fund statements but recognized as revenue in the government-wide statements		313,397
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds		(8,763)
Total Net Assets - Governmental Activities (per Statement of Net Assets - Page 6)	\$	560,115

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<u>Major Funds</u>		Non-major Funds	Total
	General	Fire		
Revenues				
Taxes and assessments	\$ 222,470	\$ 254,758	\$ -	\$ 477,228
State sources	101,868	-	1,513	103,381
Charges for services	49,499	7,807	-	57,306
Trash bag sales revenue	3,552	-	-	3,552
Grant revenue	-	-	-	-
Rent	-	17,945	3,600	21,545
Royalty	18,482	-	-	18,482
Interest	4,839	482	215	5,536
Refunds and reimbursements	-	44,596	-	44,596
Miscellaneous revenue	11,048	421	3,502	14,971
Total revenues	411,758	326,009	8,830	746,597
Expenditures				
Current:				
General government	267,089	-	-	267,089
Public works	39,476	-	-	39,476
Public safety	1,582	294,605	1,728	297,915
Recreation and culture	-	-	3,390	3,390
Capital outlay	48,776	20,000	-	68,776
Debt service:				
Principal	66,765	12,100	-	78,865
Interest	25,121	1,946	-	27,067
Total expenditures	448,809	328,651	5,118	782,578
Excess (deficiency) of revenues over (under) expenditures	(37,051)	(2,642)	3,712	(35,981)
Other financing sources				
Proceeds from the issuance of debt	49,231	13,000	-	62,231
Excess of revenues and other sources over expenditures	12,180	10,358	3,712	26,250
Fund balance - Beginning of Year	96,207	(5,746)	15,084	105,545
Fund balance - End of year	\$ 108,387	\$ 4,612	\$ 18,796	\$ 131,795

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Change in Fund Balance - Total Governmental Funds (per Statement of Revenues, Expenditures, and Changes in Fund Balance - Page 10)	\$	26,250
Amounts reported for governmental activities in the Statement of Activities (Page 7) are different because:		
Capital outlay purchases are recorded as an expenditure in the fund financial statements but are recorded as capital assets in the government-wide statements		68,776
Depreciation expense, recorded in the government-wide financial statements		(45,321)
Payments on long-term debt are recorded as an expenditure in the fund financial statements but are a reduction to outstanding balances in the government-wide statements		78,865
Proceeds from the issuance of debt is recorded as revenue in the fund financial statements but recorded as long-term debt in the government-wide statements		(62,231)
Special assessment revenues are recorded in the Statement of Activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.		(67,841)
Interest expense incurred on outstanding loan principal payments are recorded when incurred in the Statement of Activities		(517)
Change in Net Assets - Governmental Activities (Per Statement of Activities - Page 7)	\$	(2,019)

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008**

	Assets		
Cash		\$	4
		<u><u> </u></u>	
	Liabilities		
Undisbursed tax receipts		\$	4
		<u><u> </u></u>	

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 1: Entity

The Township of Beaver Creek is located in Crawford County, Michigan and has a population of approximately 1,600 residents. The Township offices are located at 8888 South Grayling Road, Grayling, Michigan.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all the governmental functions of the Township of Beaver Creek.

Note 2: Summary of Significant Accounting Policies

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Beaver Creek Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Beaver Creek Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statement Presentation:

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities, such as tax collection activities.

Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township does not engage in any business-type activities.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

Fund Types and Major Funds

Governmental Funds

The Township reports the following major 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 inter-governmental revenues.

Fire Fund – This fund is used to account for all financial activity related to the Township's Fire Department. The main source of revenue is derived from property taxes.

The Township reports its Park and Liquor Law Enforcement Funds as non-major funds.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds (Continued)

Other Funds

Fiduciary Fund - This fund is used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Measurement Focus and Basis of Accounting

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Taxes

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

- a) 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.
- b) In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records property tax revenue on the lien date when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007 are recorded as revenue in the current fiscal year.
- c) The Township 2007 tax roll millage rate was 0.9701 mills. Fire and road taxes are derived from special assessments.

Budgets

The following procedures are followed in establishing the budgetary data reflected in these general purpose 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 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.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Budgets (Continued)

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 general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
10. Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.
11. The Township overspent its budget in the General Fund for two activities: Township Clerk and Zoning. The Township Clerk activity overspent by \$83 and Zoning overspent by \$775.

Use of Estimates

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

Capital Assets and Depreciation

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow

Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Fire Vehicles	20 years

Land and construction in progress are not depreciated.
For information describing capital assets, see Note 5.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures.

Encumbrances

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

Accumulated Compensated Absences

Employees are not allowed to accumulate vacation and sick pay; therefore, no accumulated amount has been recorded in these financial statements.

Note 3: Cash and Equivalents

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. The 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; 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 and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 is in compliance with statutory authority.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 3: Cash and Equivalents (Continued)

At June 30, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and equivalents	\$ 134,448	\$ 4	\$ 134,452

The breakdown of cash and equivalents for the Township is as follows:

	<u>Primary Government</u>
Bank deposits - checking and savings accounts	\$ 156
Bank money market accounts	134,296
	<u>\$ 134,452</u>

Deposits

The bank balance of the Township's deposits as of June 30, 2008 is \$144,749, of which \$100,00 is covered by federal depository insurance.

On October 3, 2008, the President of the United States signed the Emergency Economic Stabilization Act of 2008, which temporarily raises the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. This increase in FDIC insurance coverage expires December 31, 2009.

Note 4: Special Assessment Receivable / Deferred Revenue

The Township has entered into special assessment arrangements in order to perform major improvements on roads within the Township.

Fund Financial Statements

Under the modified accrual basis of accounting for purposes of the fund financial statements, each special assessment is recorded as a receivable and deferred revenue until a portion of the assessment is included on the tax roll, at which time the portion becomes measurable and available and is recognized as revenue.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 4: Special Assessment Receivable / Deferred Revenue (Continued)

The special assessment receivable is expected to be received and recorded as revenue according to the following schedule:

	Billman/ Skyline Road	Majestic Hills Court	Balmes Trail	Crossing Deer Court	Total
2009	\$ 11,180	\$ 11,500	\$ 23,340	\$ 4,863	\$ 50,883
2010	11,180	11,500	24,412	4,863	51,955
2011	11,180	11,500	25,534	4,863	53,077
2012	4,571	11,500	26,707	4,863	47,641
2013	-	11,500	27,934	4,863	44,297
2014-2018	-	19,302	36,516	9,726	65,544
	<u>\$ 38,111.00</u>	<u>\$ 76,802.00</u>	<u>\$ 164,443.00</u>	<u>\$ 34,041.00</u>	<u>\$ 313,397</u>

Government-Wide Financial Statements

Under the accrual basis of accounting, for purposes of the government-wide financial statements, the full amount of each assessment was recognized as revenue in the initial year (no revenue was deferred). The subsequent collections each tax year, according to the schedule above, reduce the special assessment receivable.

Note 5: Capital Assets

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

Governmental Activities:	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets not being depreciated - land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated:				
Buildings	342,364	-	-	342,364
Land improvements	83,145	38,776	-	121,921
Machinery and equipment	514,097	30,000	-	544,097
Subtotal	939,606	68,776	-	1,008,382
Accumulated depreciation:				
Buildings	99,646	8,809	-	108,455
Land improvements	25,981	4,360	-	30,341
Machinery and equipment	258,241	32,151	-	290,392
Subtotal	383,868	45,320	-	429,188
Net capital assets being depreciated	555,738	23,456	-	579,194
Net capital assets	<u>\$ 600,738</u>	<u>\$ 23,456</u>	<u>\$ -</u>	<u>\$ 624,194</u>

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 5: Capital Assets (Continued)

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

Governmental Activities:	
General government	\$ 10,587
Public safety	27,783
Public works	1,700
Recreation and culture	<u>5,250</u>
Total governmental activities	<u><u>\$ 45,320</u></u>

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 6: Long-Term Debt

A summary of changes in long-term debt is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase contracts:				
Township hall, payable in annual installments of \$12,667, plus semi-annual interest at 4.25% through 2016	101,333	(12,667)	88,666	12,667
Fire hall addition, payable in annual installments of \$12,100, plus interest at 3.99% through 2012	48,314	(12,100)	36,214	12,100
Transfer site location, payable in annual installments of \$4,923, plus interest at 5.00% through October 2017	-	49,231	49,231	4,923
Fire truck, payable in one payment of \$13,000 plus interest at 3.39% due July 1, 2009	-	13,000	13,000	13,000
Special assessment notes payable:				
Skyline / Billman Road, payable in annual installments of \$11,180, plus interest at 3.99%, through 2008	49,291	(11,180)	38,111	11,180
Majestic Hills Court, payable in annual installments of \$11,500, plus interest at 4.50%, through 2015	92,000	(15,198)	76,802	11,500
Balmes Trail / West Ridge, payable in annual installments of \$18,000, plus interest at 4.50%, through 2015	187,300	(22,857)	164,443	23,340
Crossing Deer Court, payable in annual installments of \$4,863, plus interest at 4.20%, through 2014	38,904	(4,863)	34,041	4,863
Total governmental activities	<u>\$ 517,142</u>	<u>\$ (16,634)</u>	<u>\$ 500,508</u>	<u>\$ 93,573</u>

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 6: Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above installment purchase contracts and special assessment notes payable are as follows:

	Governmental Activities		
	Principle	Interest	Total
2009	\$ 93,573	\$ 23,179	\$ 116,752
2010	81,645	19,404	101,049
2011	82,681	15,804	98,485
2012	65,231	12,154	77,385
2013	61,887	8,487	70,374
2014 - 2018	115,493	9,947	125,440
Total	\$ 500,510	\$ 88,975	\$ 589,485

Note 7: Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended June 30, 2008 was \$17,073.

Note 8: Contingencies

Insurance Coverage

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participants plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 9: Related Party Transaction

The Township fire chief is also a Board member of Mobile Medical Response, Inc. (MMR) who leases a portion of the Township's fire department's fire hall. Total lease revenue for the year ended June 30, 2008 is \$17,945.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property tax and assessments	\$ 223,592	223,592	\$ 222,470	(1,122)
State sources	101,108	101,108	101,868	760
Charges for services	47,500	47,500	49,499	1,999
Trash bag sales revenue	5,000	5,000	3,552	(1,448)
Royalty	12,000	12,000	18,482	6,482
Interest	1,300	1,300	4,839	3,539
Miscellaneous revenue	10,210	10,210	11,048	838
Total revenues	400,710	400,710	411,758	11,048
Expenditures				
General government				
Township Board:				
Trustee wages	5,220	5,220	5,220	-
Fringe benefits	13,115	15,654	11,915	3,739
Postage	3,500	3,536	3,536	-
Supplies	2,500	2,500	2,497	3
Printing and publishing	2,000	2,340	2,340	-
Insurance and bonds	7,000	9,654	9,654	-
Miscellaneous	17,200	104,310	853	103,457
Dues and memberships	2,000	2,000	1,614	386
Education and training	800	200	-	200
Computer software	-	-	(21)	21
Computer hardware	2,000	2,000	220	1,780
Computer support	6,000	6,000	6,375	(375)
Total Township Board	61,335	153,414	44,203	109,211
Township Supervisor:				
Wages	23,446	23,446	23,446	-
Fringe benefits	3,717	3,717	3,739	(22)
Mileage	200	22	-	22
Education and training	800	80	80	-
Total Township Supervisor	28,163	27,265	27,265	-
Assessor:				
Contractual services	30,098	30,098	30,098	-
Miscellaneous	-	-	-	-
Mapping	-	-	-	-
Hardware	-	-	-	-
Total Assessor	30,098	30,098	30,098	-

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Clerk:				
Wages	26,310	26,310	26,290	20
Fringe benefits	14,427	14,427	14,212	215
Deputy wages	700	798	1,254	(456)
Mileage	600	600	462	138
Education and training	600	-	-	-
Total Township Clerk	42,637	42,135	42,218	(83)
Board of Review:				
Wages	900	691	691	-
Miscellaneous	-	-	-	-
Education and Training	-	-	-	-
Total Board of Review	900	691	691	-
Township Treasurer:				
Wages	23,446	23,446	23,446	-
Fringe benefits	13,947	13,666	13,661	5
Deputy wages	250	74	74	-
Mileage	600	467	467	-
Education and training	600	-	-	-
Total Township Treasurer	38,843	37,653	37,648	5
Building and grounds:				
Custodian wages	14,400	14,400	12,714	1,686
Secretary wages	15,700	15,700	14,792	908
Fringe benefits	9,360	9,260	8,217	1,043
Supplies	1,628	2,183	2,183	-
Snow removal	-	-	860	(860)
Mileage	100	100	-	100
Electric	-	3,533	3,533	-
Phone	2,500	2,500	2,859	(359)
Heat	2,500	4,053	5,575	(1,522)
Repair and maintenance	2,000	2,000	558	1,442
Miscellaneous	1,000	5,201	5,347	(146)
Capital outlay	-	-	-	-
Total buildings and grounds	49,188	58,930	56,638	2,292
Cemetery:				
Supplies	-	-	-	-
Contractual services	100	971	1,100	(129)
Electricity	100	100	99	1
Repairs and maintenance	200	200	71	129
Total cemetery	400	1,271	1,270	1

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Zoning				
Wages	22,000	22,000	22,053	(53)
Legal	3,000	3,383	4,609	(1,226)
Miscellaneous	900	900	396	504
Total zoning	25,900	26,283	27,058	(775)
Total general government	277,464	377,740	267,089	110,651
Public safety	1,500	1,582	1,582	-
Public works				
Sewer / water	2,200	2,407	2,407	-
Street lighting	100	100	100	-
Transfer site	44,100	38,574	36,969	1,605
Contractual road work	62,000	67,491	-	67,491
Total public works	108,400	108,572	39,476	69,096
Capital outlay	-	48,776	48,776	-
Debt service				
Debt retirement	25,346	25,346	66,765	(41,419)
Interest on debt	-	-	25,121	(25,121)
Total debt service	25,346	25,346	91,886	(66,540)
Total expenditures	412,710	562,016	448,809	113,207
Excess (deficiency) of revenues over (under) expenditures	(12,000)	(161,306)	(37,051)	124,255
Other financing sources				
Proceeds from the issuance of debt	-	-	49,231	49,231
Excess (deficiency) of revenues over (under) expenditures and other sources	(12,000)	(161,306)	12,180	173,486
Fund Balance - Beginning of Year	96,207	96,207	96,207	-
Fund Balance - End of Year	<u>\$ 84,207</u>	<u>\$ (65,099)</u>	<u>\$ 108,387</u>	<u>\$ 173,486</u>

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property tax and assessments	\$ 254,496	\$ 254,496	\$ 254,758	\$ 262
Charges for services	7,000	7,000	7,807	807
Rent	17,944	17,944	17,945	1
Interest	-	-	482	482
Refunds and reimbursements	1,500	54,212	44,596	(9,616)
Miscellaneous revenue	-	-	421	421
Total revenues	280,940	333,652	326,009	(7,643)
Expenditures				
Public safety:				
Wages	153,000	153,000	152,011	989
Fringe benefits	51,860	51,860	45,571	6,289
Office supplies	1,080	1,080	718	362
Rescue supplies	12,000	12,000	11,466	534
Repairs and maintenance	15,400	15,400	19,581	(4,181)
Insurance losses	1,500	34,462	33,568	894
Miscellaneous	3,600	3,600	2,459	1,141
Liability insurance	14,000	14,000	14,765	(765)
Utilities	12,500	12,500	14,169	(1,669)
Education and training	2,000	2,000	297	1,703
Total public safety	266,940	299,902	294,605	5,297
Capital outlay	-	20,000	20,000	-
Debt service				
Principal	12,100	12,100	12,100	-
Interest	1,900	1,900	1,946	(46)
Total debt service	14,000	14,000	14,046	(46)
Total expenditures	280,940	333,902	328,651	5,251
Excess (deficiency) of revenues over (under) expenditures	-	(250)	(2,642)	(2,392)
Other Financing Sources				
Loan proceeds/transfer in	-	-	13,000	(13,000)
Excess of revenues and other sources over expenditures	-	(250)	10,358	10,608
Fund Deficit - Beginning of Year	(5,746)	(5,746)	(5,746)	-
Fund Balance - End of Year	\$ (5,746)	\$ (5,996)	\$ 4,612	\$ 10,608

**TOWNSHIP OF BEAVER CREEK
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008**

		<u>Parks</u>	<u>Liquor Law Enforcement</u>	<u>Total</u>
	Assets			
Cash		\$ 18,575	\$ 221	\$ 18,796
		<u> </u>	<u> </u>	<u> </u>
	Fund Balance			
Fund balance - unreserved and undesignated		\$ 18,575	\$ 221	\$ 18,796
		<u> </u>	<u> </u>	<u> </u>

**TOWNSHIP OF BEAVER CREEK
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NON MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008**

	Park	Liquor Law Enforcement	Total
Revenue			
State sources	\$ -	\$ 1,513	\$ 1,513
Donations	3,502	-	3,502
Interest	213	2	215
Other	3,600	-	3,600
Total revenues	7,315	1,515	8,830
Expenditures			
Public safety	-	1,728	1,728
Recreation and culture	3,390	-	3,390
Total expenditures	3,390	1,728	5,118
Excess (deficiency) of revenues over (under) expenditures	3,925	(213)	3,712
Fund balance - Beginning of year	14,650	434	15,084
Fund balance - End of year	\$ 18,575	\$ 221	\$ 18,796



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Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

February 25, 2009

To the Township Board
Beaver Creek Township
Crawford County, MI

In planning and performing our audit of the financial statements of the governmental activities, the major fund activities, and the aggregate remaining fund information of the Township of Beaver Creek (the Township) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit'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 Governmental Unit'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 certain deficiencies in internal control that we consider to be significant deficiencies.

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 a combination of control deficiencies, that adversely affects the Township'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 Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Helena's Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Reppuhn LLP

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February 25, 2009

To the Township Board
Beaver Creek Township
Crawford County, MI

We have audited the financial statements of the governmental activities, the major fund activities, and the aggregate remaining fund information of the Township of Beaver Creek (the Township) for the year ended June 30, 2008, and have issued our report thereon dated February 25, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on November 6, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 25, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the

Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Helena's Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Keskin, Cook, Miller & Reppuhn, LLP