

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PLEASANTVIEW TOWNSHIP	County EMMET
Fiscal Year End 6/30/07	Opinion Date 3/21/08	Date Audit Report Submitted to State 3/26/08	

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 checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A		
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number (231) 627-3143		
Street Address 902 S. HURON STREET, PO BOX 250		City CHEBOYGAN	State MI	Zip 49721
Authorizing CPA Signature <i>Annette Eustice, CPA, CGFM</i>	Printed Name ANNETTE EUSTICE, CPA, CGFM		License Number 1101019667	

PLEASANTVIEW TOWNSHIP

EMMET COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

PLEASANTVIEW TOWNSHIP
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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

March 21, 2008

Township Board
Pleasantview Township
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the governmental major fund, and the fiduciary fund of *Pleasantview Township* (the “Township”), as of and for the year ended June 30, 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’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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the governmental major fund, and the fiduciary fund of the Township as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Township has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

PLEASANTVIEW TOWNSHIP
BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 569,795	\$ -	\$ 569,795
Capital assets, net	-	65,830	65,830
Total assets	<u>\$ 569,795</u>	<u>65,830</u>	<u>635,625</u>
Liabilities			
Withheld payroll taxes	\$ 9,645	-	9,645
Noncurrent liabilities			
Due within one year	-	10,084	10,084
Due in more than one year	-	9,267	9,267
Total liabilities	<u>9,645</u>	<u>19,351</u>	<u>28,996</u>
Fund equity			
Unreserved, undesignated	560,150	(560,150)	-
Total liabilities and fund equity	<u>\$ 569,795</u>		
Net assets			
Invested in capital assets, net of related debt		46,479	46,479
Unrestricted		560,150	560,150
Total net assets		<u>\$ 606,629</u>	<u>\$ 606,629</u>

Continued...

PLEASANTVIEW TOWNSHIP
BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2007

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets

Total governmental fund balance	\$ 560,150
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 funds.	
Add capital assets, net	65,830
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct notes payable	<u>(19,351)</u>
Net assets of governmental activities	<u><u>\$ 606,629</u></u>

Concluded

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

PLEASANTVIEW TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE AND STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2007

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 300,213	\$ -	\$ 300,213
State revenue sharing	68,641	-	68,641
Interest	26,102	-	26,102
Other	5,745	-	5,745
Total revenues	400,701	-	400,701
Expenditures/expenses			
Legislative	5,360	-	5,360
General government	129,460	-	129,460
Public safety	26,491	-	26,491
Public works	150,933	-	150,933
Recreation	3,466	-	3,466
Insurance and bonds	6,936	-	6,936
Principal	9,388	(9,388)	-
Interest	1,719	-	1,719
Unallocated depreciation	-	1,995	1,995
Total expenditures/expenses	333,753	(7,393)	326,360
Net change in fund balance/net assets	66,948	7,393	74,341
Fund balance/net assets, beginning of year	493,202	39,086	532,288
Fund balance/net assets, end of year	\$ 560,150	\$ 46,479	\$ 606,629

Continued...

PLEASANTVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities

Net change in fund balance - governmental fund \$ 66,948

Amounts reported for governmental activities in the statements of activities are different
because

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

Deduct depreciation expense (1,995)

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Add the decrease in the notes payable 9,388

Change in net assets of governmental activities \$ 74,341

Concluded

The accompanying notes are an integral part of these financial statements

PLEASANTVIEW TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Property taxes	\$ 278,200	\$ 278,200	\$ 300,213	\$ 22,013
State revenue sharing	53,000	53,000	68,641	15,641
Interest	9,000	9,000	26,102	17,102
Other	12,073	12,073	5,745	(6,328)
Total revenues	352,273	352,273	400,701	48,428
Expenditures				
General government				
Legislative	6,210	6,210	5,360	(850)
General government	138,612	128,612	129,460	848
Public safety	49,950	49,950	26,491	(23,459)
Public works	140,600	150,600	150,933	333
Recreation	3,500	3,500	3,466	(34)
Insurance and bonds	6,500	6,500	6,936	436
Debt service				
Principal	14,500	14,500	9,388	(5,112)
Interest	-	-	1,719	1,719
Total expenditures	359,872	359,872	333,753	(26,119)
Change in fund balance	(7,599)	(7,599)	66,948	74,547
Fund balance, beginning of year	493,202	493,202	493,202	-
Fund balance, end of year	\$ 485,603	\$ 485,603	\$ 560,150	\$ 74,547

The accompanying notes are an integral part of these financial statements

PLEASANTVIEW TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND

JUNE 30, 2007

Assets	
Cash and cash equivalents	<u><u>\$ 500</u></u>
Liabilities	
Due to the General Fund	<u><u>\$ 500</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Pleasantview Township (the “Township”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Township.

B. 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 the non-fiduciary activities of the Township. *Governmental activities*, which normally are 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. The Township had no *business-type activities* during the year ended 2007.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The Township reports the General Fund as a major governmental fund. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township. Additionally, the Township reports an agency fund, which accounts for assets held for others.

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

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

D. Assets, liabilities and equity

1. Deposits

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

2. Capital assets

Capital assets, which include a building, are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the Township as assets that are used in operations and have initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, less accumulated depreciation. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are purchased or constructed. The capital asset of the Township is depreciated using the straight-line method over the estimated useful life of 40 years.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

3. *Property taxes*

Properties are assessed as of December 31st and the related property taxes become a lien on December 1st of the following year. These taxes are due on February 14th; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Emmet County.

Property taxes are recognized in the fiscal year in which they are levied.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The Township adopts an annual budget each year for expenditures applicable to the General Fund. The operating budget includes proposed expenditures and the means of financing them and is stated on a basis consistent with accounting principles generally accepted in the United States of America. Budgets lapse at fiscal year end.

B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposit balances as of June 30, 2007 consisted of cash and cash equivalents of \$569,795.

Custodial risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial risk. As of year end \$485,297 of the Township's bank balance of \$585,297 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

B. Capital assets

Capital asset activity was as follows for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Balance June 30, 2007</u>
Capital assets being depreciated			
Building	\$ 79,794	\$ -	\$ 79,794
Accumulated depreciation			
Building	<u>(11,969)</u>	<u>(1,995)</u>	<u>(13,964)</u>
Governmental activities capital assets, net	<u>\$ 67,825</u>	<u>\$ (1,995)</u>	<u>\$ 65,830</u>

Depreciation expense for the year ended June 30, 2007 was \$1,995.

C. Long-Term Debt

The Township's long-term debt consists of the following:

	<u>Balance July 1, 2006</u>	<u>(Deductions)</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
1999 installment note payable to Huntington National Bank, due in monthly installments of \$926 including interest charged at 6.92% through June 2010.	<u>\$ 28,739</u>	<u>\$ (9,388)</u>	<u>\$ 19,351</u>	<u>\$ 10,084</u>

Maturities of this long-term obligation for each of the years succeeding June 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 10,084	\$ 1,023
2009	<u>9,267</u>	<u>306</u>
Total	<u>\$ 19,351</u>	<u>\$ 1,329</u>

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

D. 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 reporting period. Actual results could differ from those estimates.

IV. OTHER INFORMATION

A. Risk Management and Litigation

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to Township employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Township has had no settled claims resulting from these risks that exceeded commercial coverage in any of the past three years.

B. Defined Contribution Pension Plan

The Pleasantview Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The Township provides pension benefits for all township board members, liquor inspectors and the zoning administration through this plan. At June 30, 2007, the seven eligible persons were plan members.

Employees are eligible to participate from the date of employment. The plan requires the Township to contribute 10% of the employees' base annual salary each year. The employee may also contribute up to 10% of their salary to the plan. The contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

Plan provisions and contribution requirements are established and may be amended by the Township Board. There were no Plan provision amendments in the current year.

During the year, the Township's required and actual contributions amounted to approximately \$5,000. Employees made contributions amounting to \$3,840 to the Plan.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

C. Commitment

In April 2003, The Township Board passed a resolution, as required by the Michigan Department of Environmental Quality, to assume the operation and maintenance of the newly constructed wastewater collection and treatment system at the Trout Creek Condominium Association (the "Association"), which is located within the Township. If the Association fails to appropriately maintain the system, the Township would be required to assume this responsibility. As of June 30, 2007 there is no indication that the Association is not properly maintaining the system.

* * * * *

SUPPLEMENTAL INFORMATION

PLEASANTVIEW TOWNSHIP
SCHEDULE OF REVENUES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Taxes				
Current tax collections	\$ 230,000	\$ 230,000	\$ 232,906	\$ 2,906
Delinquent tax collections	10,000	10,000	11,379	1,379
Swampland taxes	10,100	10,100	10,097	(3)
Property tax - administrative fee	21,000	21,000	38,757	17,757
School summer collection	7,100	7,100	7,074	(26)
Total taxes	278,200	278,200	300,213	22,013
State revenue				
State revenue sharing	48,000	48,000	63,645	15,645
Liquor fees	5,000	5,000	4,996	(4)
Total state revenue	53,000	53,000	68,641	15,641
Interest	9,000	9,000	26,102	17,102
Other	12,073	12,073	5,745	(6,328)
Total revenues	\$ 352,273	\$ 352,273	\$ 400,701	\$ 48,428

PLEASANTVIEW TOWNSHIP
SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted		Actual	Actual
	Original	Final		Over (Under) Final Budget
Legislative				
Trustees	\$ 6,210	\$ 6,210	\$ 5,360	\$ (850)
General government				
Supervisor	11,641	11,641	9,300	(2,341)
Elections	3,300	3,300	2,083	(1,217)
Legal and professional	9,000	6,000	5,436	(564)
Assessor	27,250	24,750	24,820	70
Clerk	12,394	9,894	9,441	(453)
Board of review	1,796	1,796	866	(930)
Treasurer	29,293	21,093	18,039	(3,054)
Planning	5,647	3,647	3,645	(2)
Zoning	9,426	9,426	7,419	(2,007)
Building and grounds	26,900	35,100	37,107	2,007
Cemetery	1,200	1,200	650	(550)
Contracted services	-	-	1,952	1,952
Pension plan and social security	765	765	8,702	7,937
Total general government	138,612	128,612	129,460	848
Public safety				
Liquor inspections	5,950	5,950	5,012	(938)
Fire protection and ambulance service	44,000	44,000	21,479	(22,521)
Total public safety	49,950	49,950	26,491	(23,459)
Public works				
Road construction and maintenance	140,600	150,600	150,933	333
Recreation				
Airport	3,500	3,500	3,466	(34)
Insurance and bonds	6,500	6,500	6,936	436
Debt service				
Principal	14,500	14,500	9,388	(5,112)
Interest	-	-	1,719	1,719
Total debt service	14,500	14,500	11,107	(3,393)
Total expenditures	\$ 359,872	\$ 359,872	\$ 333,753	\$ (26,119)

PLEASANTVIEW TOWNSHIP

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Assets				
Cash and cash equivalents	<u>\$ 59,133</u>	<u>\$ 3,941,387</u>	<u>\$ 4,000,020</u>	<u>\$ 500</u>
Liabilities				
Due to other governmental units	\$ 59,133	\$ 3,938,462	\$ 3,997,095	\$ 500
Other liabilities	-	2,925	2,925	-
Total liabilities	<u>\$ 59,133</u>	<u>\$ 3,941,387</u>	<u>\$ 4,000,020</u>	<u>\$ 500</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 21, 2008

Township Board
Pleasantview Township
Harbor Springs, Michigan

We have audited the financial statements of the governmental activities, the major governmental fund, and the fiduciary fund of *Pleasantview Township* (the "Township"), as of and for the ended June 30, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting 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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting. These deficiencies are referenced as 2007-1 and 2007-2.

Finding 2007-1: Inability of management to prepare the financial statements in accordance with generally accepted accounting principles

Criteria: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, primarily, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead, relies, primarily, on its external auditors for assistance with this task.

Township's Response: It is more cost effective to outsource the preparation of the financial statements than to incur the time and expense of obtaining the necessary training and expertise required to draft the financial statements internally.

Finding 2007-2: A lack of segregation of duties exists in the accounting function

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets.

Condition: Certain key financial duties of the Township are being performed by the same individual and there are limited mitigating controls in place to ensure effective internal controls. Specifically, we noted that the following incompatible functions are being performed by one individual:

- Persons responsible for receipting also have disbursement responsibilities.
- Persons responsible for cash receipting and disbursing are also responsible for the recording the accounting transactions in the Township's financial accounting system.

Cause: As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within the accounting function.

Effect: As a result of this condition, the Township's current system of internal control has no safeguards in place to ensure that fraud or abuse is being prevented. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation, and approval of accounting transactions by qualified members of management or the Township Board when possible.

Township's Response: It is not cost effective to employ additional staff necessary to provide for adequate segregation of duties within the accounting function. Rather, the Township will identify areas in the cash receipts and disbursements cycle where appropriate monitoring and oversight are required and will add review and approval procedures to be performed by those most removed from the management, custody of assets and accounting functions related to the transactions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-1 to be a material weakness.

The Township's responses to the findings identified in our audit are described above. We did not audit the Township's responses to the findings noted above and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style.