

Auditing Procedures Report

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

Local Unit of Government Type				Local Unit Name		County	
<input type="checkbox"/> County	<input type="checkbox"/> City	<input type="checkbox"/> Twp	<input type="checkbox"/> Village	<input checked="" type="checkbox"/> Other	Greenwood Cemetery		Emmet
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State			
December 31, 2007		January 25, 2008		March 25, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Hill, Schroderus & Co., LLP		231-347-4136		
Street Address		City	State	Zip
923 Spring Street, PO Box 695		Petoskey	MI	49770
Authorizing CPA Signature		Printed Name	License Number	
		James Cusenza	1101012888	

FINANCIAL REPORT
GREENWOOD CEMETERY
December 31, 2007

GREENWOOD CEMETERY
FINANCIAL REPORT
December 31, 2007

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January 25, 2008

Independent Auditors' Report

Cemetery Board and Superintendent
Greenwood Cemetery
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Greenwood Cemetery (the Cemetery), Petoskey, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Cemetery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cemetery'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 and each major fund of Greenwood Cemetery, as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information 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 management's discussion and analysis. However, we did not audit this information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan



GREENWOOD CEMETERY

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Management's Discussion and Analysis

December 31, 2007

Basic Financial Statements – Overview

Greenwood Cemetery's (the Cemetery) basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). The government-wide statements include the Statement of Net Assets and the Statement of Activities. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity and the change in the Cemetery's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets; restricted net assets; and unrestricted net assets.

Below is the government wide Statement of Net Assets for Greenwood Cemetery as of December 31, 2007 and 2006:

**Greenwood Cemetery
Statement of Net Assets
For the Years Ended December 31, 2007 and 2006**

Assets	2007	2006
Cash	\$ 247,920	\$ 155,597
Investments	554,054	476,754
Accounts Receivable	-	100
Taxes Receivable	478,697	421,205
Capital Assets, Net	1,799,489	1,763,088
 Total Assets	 3,080,160	 2,816,744
 Liabilities		
Deferred Property Taxes	545,469	485,685
Deferred Charges	39,725	37,136
Accrued Liabilities	127	-
 Total Liabilities	 585,321	 522,821
 Net Assets		
Invested in capital assets	1,799,489	1,763,088
Restricted for perpetual care	564,053	455,210
Unrestricted	131,297	75,625
 Total Net Assets	 \$ 2,494,839	 \$ 2,293,923

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery-type services. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

As indicated above, the majority of the Cemetery's balances increased slightly from 2006 to 2007. The increase in the perpetual care net assets resulted primarily from investment earnings, lot sales as well as receipts from the General Fund related to the pay-off of the 2004 loan to the General Fund.

Below is the Statement of Activities for Greenwood Cemetery for the years ended December 31, 2007 and 2006:

**Greenwood Cemetery
Statement of Activities
For the Years Ended December 31, 2007 and 2006**

	2007		2006
Revenues			
Program revenues	\$ 58,350	\$	124,633
Property taxes	513,579		478,223
Interest and investments	37,278		32,515
Other	2,605		27,630
Total Revenues	611,812		663,001
Expenses			
Operating	481,038		425,687
Non-operating	79,791		87,381
Total Expenses	560,829		513,068
Change in net assets	50,983		149,933
Net assets - beginning	2,443,856		2,293,923
Net assets - ending	\$ 2,494,839	\$	2,443,856

Net assets increased in the current year by \$50,983 or 2%. Approximately 12% of the operating expenses for the General Fund were capitalized. Most of these depreciable assets will be depreciated on the Statement of Activities over their estimated useful lives. The non-depreciable assets, such as land, will remain of the Statement of Net Assets at full cost.

As a consequence of decreased lot sales and interments, program revenues decreased. Property tax revenues increased because of an increase in property valuation – the millage rate remained the same as 2006. The slight increase in interest and investments occurred due to increased interest rates and balances in the General Fund in the first half of the year.

Operating expenses increased over the prior year due to additional personnel hired and rising health insurance premiums. Maintenance and Repair expenditures were substantially higher in 2007 due to unexpected as well as planned expenditures.

Below is the capital asset activity for Greenwood Cemetery for 2007:

**Greenwood Cemetery
Capital Asset Activity
For the Year Ended December 31, 2007**

	Balance 1/1/2007	Additions	Deletions	Balance 12/31/2007
Capital assets not being depreciated:				
Land	\$ 578,231	\$ -	\$ -	\$ 578,231
Capital assets being depreciated				
Buildings	211,421	-	-	211,421
Site improvements	1,285,764	25,120	-	1,310,884
Equipment	477,602	51,431	-	529,033
Office equipment	48,433	-	31,029	17,404
Subtotal	2,023,220	76,551	31,029	2,068,742
Less accumulated depreciation				
Buildings	79,089	4,112	-	83,201
Site improvements	495,717	58,047	-	553,764
Equipment	171,591	33,104	26,610	178,085
Office equipment	25,314	7,120	-	32,434
Subtotal	771,711	102,383	26,610	847,484
Net capital assets being depreciated	1,251,509	(25,832)	4,419	1,221,258
Governmental activities net				
Capital assets	\$ 1,829,740	\$ (25,832)	\$ 4,419	\$ 1,799,489

The current year capitalized expenditures included land improvement projects (mainly irrigation work) for \$25,120 and equipment purchases totaling \$51,431. The new equipment included a Kubota tractor/loader with snowblower.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. The focus of the fund financial statements is upon the determination of financial position and changes in the financial position (sources, uses, and balances of financial resources).

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Cemetery:

General Fund – the General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

Perpetual Care Fund – the Perpetual Care Fund is used to account for fees and one-time payments previously received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions. The entire amount of foundation charges that in past years had been split equally between the two funds are now entirely deposited into the General Fund.

Analysis of Budgeted and Actual Amounts

Final budgeted revenues were modified due to the decreased lot sales and interments discussed above. The payroll and payroll expense budget increased due to the hiring of additional summer employees and rising health insurance costs for full-time employees.

Variances between final budgeted amounts and actual amounts included lower-than-anticipated expenditures for land improvements (e.g. irrigation work) and greater than anticipated contracted labor and maintenance and repair costs.

Analysis of the Revenues, Expenditures, and Changes in Fund Balances

The reasons for changes in revenues and expenditures have been noted above.

The General Fund ending fund balance increased by 105% and the Perpetual Care Fund ending fund balance increased by 38%. Currently a majority of the General Fund ending balance is designated by the Cemetery Board for land acquisitions. All of the Perpetual Care Fund ending balance is reserved for the trust corpus.

Financial Contact

This financial report is designed to provide readers with a general overview of the Cemetery's finances. Please contact the Greenwood Cemetery Superintendent if there are additional questions or information needed.

GREENWOOD CEMETERY
Governmental Fund Balance Sheet/Statement of Net Assets
December 31, 2007

	Modified Accrual Basis		Adjustments	Statement of Net Assets
	General	Perpetual Care		
<u>Assets</u>				
Cash	\$ 107,361	\$ 140,559	\$ -	\$ 247,920
Investments	76,852	477,202	-	554,054
Taxes receivable	478,697	-	-	478,697
Due from other funds	53,708	-	(53,708)	-
Capital assets, net of accumulated depreciation	-	-	1,799,489	1,799,489
Total assets	<u>716,618</u>	<u>617,761</u>	<u>1,745,781</u>	<u>3,080,160</u>
<u>Liabilities</u>				
Accrued liabilities	127	-	-	127
Due to other funds	-	53,708	(53,708)	-
Deferred property taxes	545,469	-	-	545,469
Deferred charges	39,725	-	-	39,725
Total liabilities	<u>585,321</u>	<u>53,708</u>	<u>(53,708)</u>	<u>585,321</u>
<u>Fund Balance/Net Assets</u>				
Fund balances:				
Reserved for trust corpus	-	564,053	(564,053)	-
Unreserved:				
Designated for land acquisitions	94,975	-	(94,975)	-
Undesignated	36,322	-	(36,322)	-
Total fund balances	<u>\$ 131,297</u>	<u>\$ 564,053</u>		
Net assets:				
Invested in capital assets			1,799,489	1,799,489
Restricted for perpetual care			564,053	564,053
Unrestricted			131,297	131,297
Total net assets			<u>\$ 1,799,489</u>	<u>\$ 2,494,839</u>

GREENWOOD CEMETERY
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2007

	Modified Accrual Basis			Statement of
	General	Perpetual Care	Adjustments	Activities
Expenditures/expenses:				
Operating:				
Wages	\$ 216,660	\$ -	\$ -	\$ 216,660
Payroll taxes	18,939	-	-	18,939
Employee benefits	56,133	-	-	56,133
Operating supplies	34,355	-	-	34,355
Contracted services	29,137	-	-	29,137
Utilities	20,394	-	-	20,394
Maintenance and repairs	35,444	-	-	35,444
Vehicle expense	9,409	-	-	9,409
Equipment rental	1,775	-	-	1,775
Insurance	26,609	-	-	26,609
Land improvement projects	50,137	-	(25,120)	25,017
Equipment purchases	44,266	-	(38,393)	5,873
Miscellaneous	1,293	-	-	1,293
	<u>544,551</u>	<u>-</u>	<u>(63,513)</u>	<u>481,038</u>
Total operating expenditures/expenses				
Non-operating:				
Investment expense	-	2,548	-	2,548
Loss (gain) on investments	-	(16,521)	-	(16,521)
Depreciation expense	-	-	102,382	102,382
Loss (gain) on disposal of long-lived assets	-	-	(8,618)	(8,618)
Interest expense	17,556	-	(17,556)	-
	<u>17,556</u>	<u>(13,973)</u>	<u>76,208</u>	<u>79,791</u>
Total non-operating expenditures/expenses				
Total expenditures/expenses				
	<u>562,107</u>	<u>(13,973)</u>	<u>12,695</u>	<u>560,829</u>
Program revenues:				
Charges for services	58,045	305	-	58,350
Net (expense) revenue				<u>(502,479)</u>
General revenues:				
Property taxes	513,579	-	-	513,579
Interest	15,099	39,735	(17,556)	37,278
Miscellaneous	2,605	-	-	2,605
Total general revenues				<u>531,283</u>
Other financing sources (uses):				
Operating transfers in	53,708	56,844	(91,601)	18,951
Operating transfers out	(56,844)	(53,708)	91,601	(18,951)
Total other financing sources (uses)				<u>-</u>
Excess (deficiency) of revenues over expenditures/change in net assets				
	24,085	57,149	(30,251)	50,983
Fund balances/net assets - beginning of year				
	107,212	506,904	1,829,740	2,443,856
Fund balances/net assets - end of year				
	<u>\$ 131,297</u>	<u>\$ 564,053</u>	<u>\$ 1,799,489</u>	<u>\$ 2,494,839</u>

GREENWOOD CEMETERY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Greenwood Cemetery (the Cemetery) was incorporated February 17, 1897, under the provisions of Act 306 of the Local Acts of Michigan. The Cemetery operates under a board-superintendent form of government and provides for a joint board from the townships of Resort, Bear Creek and the City of Petoskey in Emmet County.

The Cemetery's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Cemetery's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Greenwood Cemetery:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 and amended by GASBS No. 39. As defined by GASBS No. 14, the Cemetery is required to consider other organizations (component units) for which the nature and significance of their relationship with the Cemetery is such that exclusion would cause the Cemetery's financial statements to be misleading or incomplete. Component units are legally separate entities that are included in the Cemetery's financial statements because of the significance of their operating or financial relationships with the Cemetery.

GASBS No. 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Cemetery and included in the Cemetery's financial statements is financial accountability. Financial accountability is defined as follows: A primary government (the Cemetery) has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Cemetery has no component units.

BASIC FINANCIAL STATEMENTS – OVERVIEW

Greenwood Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). Both the government-wide and the fund financial statements categorize government activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity, and the change in the Cemetery's net assets resulting from the current year's activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Cemetery first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery type services. Program revenues include:

- (1) Charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery; and
- (2) Grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Cemetery:

General Fund – The General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

Perpetual Care Fund – The Perpetual Care Fund is used to account for fees and one-time payments received previously for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions. The entire amount of foundation charges are now deposited into the General Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. 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. Expenditures generally are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements.

Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are recorded by the Cemetery when the initial individual costs are equal to or greater than \$3,000 and have useful lives greater than a year. Any addition or improvement that either enhances a capital asset's efficiency or extends its expected useful life is also capitalized.

Capital 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, site improvements and equipment are depreciated using the straight-line method over the following useful lives:

Buildings/Improvements	50 years
Site Improvements	20 years
Equipment	15 years
Office Equipment	5 years

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Currently the Cemetery has no long-term obligations.

Compensated Absences (Vacation and Sick Time)

Vacation days not used during the year may be accumulated. Each employee may carry over up to 40 hours to the next year. Sick time not used during the year may not be accumulated.

All vacation and sick pay accrue when earned in the government-wide financial statements. Sick and vacation pay are recognized in the governmental financial statements when the time is used.

Fund Equity

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

COMPARATIVE DATA

Comparative data for the prior year is not included in the Cemetery's financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Cemetery. Budgetary control is legally maintained at the fund level.

The Cemetery follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first board meeting in November, the superintendent submits to the board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Cemetery to obtain taxpayer comments.
3. Prior to January 1, the fund budgets are legally enacted through passage of resolutions.
4. The superintendent is authorized to transfer budgeted amounts between expenditures within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the board.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgeted amounts are as originally adopted, or as amended by the board.
7. Encumbrances, which are commitments related to unperformed contracts for goods or services, lapse at year-end and are re-appropriated as part of the subsequent year's budget.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Cemetery is required under Public Act 621 to adopt a budget for the General Fund. The Cemetery did not have an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Cemetery to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Cemetery is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature 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 which are legal for direct investment by local units of government in Michigan.

The Cemetery's deposits and investment policy are in accordance with statutory authority.

Cash Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the cemetery's deposits may not be returned to it. At year-end, the carrying amount of the Cemetery's deposits for governmental activities was \$339,125 and the bank balance was \$324,772. Of the bank balance, \$100,000 was covered by Federal depository insurance. The remaining \$224,772 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

Investments

The cemetery is authorized to make direct investments in U.S. government obligations, certificates of deposits, investment pools (as allowed by the Michigan Public Act 121 of 1985), and mutual funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH AND INVESTMENTS – CONTINUED

Investments – CONTINUED

Investments are stated at fair value and are summarized as follows as of December 31, 2007:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. governmental and agency securities	\$ 463,808	\$ 477,202	\$ 13,394

NOTE 4: PROPERTY TAXES

Current Revenue

Property taxes attach as an enforceable lien on property as of December 1, and are collected principally in January through March of the following year. The Cemetery receives its property taxes through Resort Township, Bear Creek Township and the City of Petoskey. The Cemetery is permitted to levy taxes as deemed necessary for general governmental services.

The 2006 State taxable valuation as of April 10, 2006 was \$1,100,325,637, on which taxes levied consisted of .47 mills for general governmental services.

Deferred Revenue and Taxes Receivable

Property taxes attaching as an enforceable lien on property as of December 1, 2007, and collected principally in December 2007 through March 2008 have been recorded as deferred revenue since they are not budgeted to fund expenditures until 2008. A receivable has been recorded for the portion of these taxes uncollected at December 31, 2007. The 2007 State taxable valuation was \$1,160,572,945, on which taxes levied consisted of .47 mills for general governmental services.

NOTE 5: DEFERRED REVENUE

Deferred revenue in the government-wide and the fund financial statements consists of \$39,725 and \$545,469 relating to charges for services and property taxes, respectively, received or receivable by year-end but not yet earned. The majority of the charges for services pertain to prepaid interments.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances within the Cemetery are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 53,708	\$ -
Perpetual Care Fund	-	53,708
	<u>\$ 53,708</u>	<u>\$ 53,708</u>

The interfund balance is interest earned in the Perpetual Care Fund that is transferred after year-end to the General Fund for maintenance of the Cemetery and for land acquisitions.

NOTE 7: INTERFUND TRANSFERS

Operating transfers within the Cemetery are as follows:

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ 53,708	\$ 56,844
Perpetual Care Fund	56,844	53,708
	<u>\$ 110,552</u>	<u>\$ 110,552</u>

In September 2004, the Perpetual Care Fund transferred \$350,000 to the General Fund for the purchase of a parcel of land. These funds originated from the Perpetual Care Fund corpus. The General Fund will repay the \$350,000 back to the Perpetual Care Fund over a 6-year period. In addition, the General Fund will pay the Perpetual Care Fund interest at an annual rate based on the Federal Reserve interest rate, adjusted quarterly. In 2007, this rate averaged 8.12%. The outstanding balance on this loan was \$179,771 as of December 31, 2007. Current year principal payments related to this loan totaled \$56,844.

The remaining operating transfer between the two funds, \$53,708, is the result of a yearly transfer of earnings from the Perpetual Care Fund to the General Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: CAPITAL ASSETS

Capital asset activity for the Cemetery during the current year was as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 578,231	\$ -	\$ -	\$ 578,231
Capital assets being depreciated:				
Buildings	211,421	-	-	211,421
Site improvements	1,285,764	25,120	-	1,310,884
Equipment	477,602	51,431	-	529,033
Office equipment	48,433	-	(31,029)	17,404
Subtotal	2,023,220	76,551	(31,029)	2,068,742
Less accumulated depreciation:				
Buildings	79,089	4,112	-	83,201
Site improvements	495,717	58,047	-	553,764
Equipment	171,591	33,104	(26,610)	178,085
Office equipment	25,314	7,120	-	32,434
Subtotal	771,711	102,383	(26,610)	847,484
Net capital assets being depreciated	1,251,509	(25,832)	(4,419)	1,221,258
Governmental activities net capital assets	\$ 1,829,740	\$ (25,832)	\$ (4,419)	\$ 1,799,489

NOTE 9: DEFERRED COMPENSATION PLAN

The Cemetery offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all full-time Cemetery employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9: DEFERRED COMPENSATION PLAN – CONTINUED

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Cemetery (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Cemetery's general creditors. Participants' rights under the plan were equal to those of general creditors of the Cemetery in an amount equal to the fair market value of the deferred account for each participant.

In complying with the amended Section 457 requirements, these assets are now for the exclusive benefit of participants and not subject to the claims of the Cemetery's general creditors. As such, they are no longer included in an agency fund of the Cemetery.

The Cemetery makes contributions to this deferred compensation plan based on 5% of gross salary for the year. The total deferred compensation plan contribution for 2007 was \$11,319.

NOTE 10: RESERVED/DESIGNATED FUND BALANCES/RESTRICTED NET ASSETS

Major Governmental Funds

The General Fund has \$94,975 designated for land acquisitions.

The Perpetual Care Fund has a corpus of \$564,053 reserved/restricted. Income from the corpus is used for the care and maintenance of lots sold and acquisition of available land.

NOTE 11: RISK MANAGEMENT

The Cemetery is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cemetery belongs to the Michigan Municipal League Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

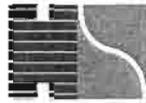
The Cemetery also belongs to the Michigan Municipal Worker's Compensation and Liabilities Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

Settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

GREENWOOD CEMETERY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Interments	\$ 33,000	\$ 24,000	\$ 24,545	\$ 545
Foundations	4,500	5,500	5,700	200
Lot sales	40,000	27,000	27,800	800
Property taxes	510,000	513,000	513,579	579
Interest	11,000	15,000	15,099	99
Miscellaneous	3,000	2,600	2,605	5
Total revenues	601,500	587,100	589,328	2,228
Expenditures:				
Wages	205,000	217,000	216,660	(340)
Payroll taxes	19,000	19,000	18,939	(61)
Employee benefits	51,500	56,500	56,133	(367)
Operating supplies	38,000	35,000	34,355	(645)
Contracted services	14,000	30,000	29,137	(863)
Utilities	22,000	20,500	20,394	(106)
Maintenance and repairs	24,000	36,000	35,444	(556)
Vehicle expense	8,000	9,500	9,409	(91)
Equipment rental	3,000	1,800	1,775	(25)
Insurance	27,000	26,700	26,609	(91)
Land improvement projects	87,800	50,500	50,137	(363)
Equipment purchases	52,000	57,800	44,266	(13,534)
Interest expense	23,000	19,000	17,556	(1,444)
Miscellaneous	6,200	1,400	1,293	(107)
Total expenditures	580,500	580,700	562,107	(18,593)
Excess (deficiency) of revenues over expenditures	21,000	6,400	27,221	20,821
Other financing sources (uses):				
Operating transfers in	25,000	33,000	53,708	20,708
Operating transfers out	(51,000)	(56,000)	(56,844)	(844)
Sale of equipment	5,000	13,000	-	(13,000)
Total other financing sources (uses)	(21,000)	(10,000)	(3,136)	6,864
Net change in fund balance	-	(3,600)	24,085	27,685
Fund balance - beginning of year	107,212	107,212	107,212	-
Fund balance - end of year	\$ 107,212	\$ 103,612	\$ 131,297	\$ 27,685



January 25, 2008

COMMUNICATION OF MATERIAL WEAKNESS IN INTERNAL CONTROL AND OTHER MATTERS

Cemetery Board and Superintendent
Greenwood Cemetery
Petoskey, Michigan

In planning and performing our audit of the financial statements of Greenwood Cemetery as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered Greenwood Cemetery's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cemetery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cemetery'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 a certain deficiency in internal control that we consider to be a material weakness.

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 organization'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 cemetery's financial statements that is more than inconsequential will not be prevented or detected by the cemetery's internal control.

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

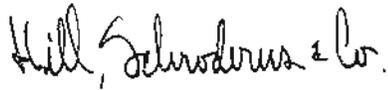
The Cemetery does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the Cemetery's management does prepare and monitor the annual budget .The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

We have also noted other matters for your consideration:

Segregation of Duties: Greenwood Cemetery is a small organization with a limited amount of employee resources available; therefore, accounting functions that would ideally be performed by separate individuals are performed by the same employees which create inherent risks in its internal control structure. We commend the board for its continuing responsibility of examining invoices and signing checks. This is a significant mitigating factor of the inherent risks involved.

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



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