TOWNSHIP OF GROUT
Gladwin County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Township of Grout	Gladwin

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2008	July 22, 2008	July 23, 2008

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

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

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 22, 2008

To the Township Board
Township of Grout
Gladwin County, Michigan

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

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

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

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

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

Campbell, Kusterer & Co., P.C.

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

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

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled $225,328.35 for governmental activities. Overall total capital assets remained the same.

Overall revenues were $289,146.17. Governmental activities had a $55,626.04 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	Total Governmental Activities 2008
Current Assets	208 172
Capital Assets	21 799
Total Assets	229 971
Current Liabilities	4 643
Non-current Liabilities	-
Total Liabilities	4 643
Net Assets:	
Invested in Capital Assets	21 799
Unrestricted	203 529
Total Net Assets	225 328

	Total Governmental Activities 2008
Program Revenues:	
Fees and Charges for Services	114 043
General Revenues:	
Property Taxes	29 913
State Revenue Sharing	135 499
Interest	3 778
Miscellaneous	5 913
Total Revenues	289 146
Program Expenses:	
Legislative	4 368
General Government	87 304
Public Safety	37 932
Public Works	103 916
Total Expenses	233 520
Increase in Net Assets	55 626
Net Assets, April 1	169 702
Net Assets, March 31	225 328

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of $232,516.18.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested $0 in capital assets this year.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

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

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Darlene Conner at (989)426-8111 or the Township Clerk, Linda Birgel at (989)426-6836.

TOWNSHIP OF GROUT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	192 054 35
Taxes receivable	16 117 94
Total Current Assets	208 172 29
NON-CURRENT ASSETS:	
Capital Assets	41 607 68
Less: Accumulated Depreciation	(19 808 90)
Total Non-current Assets	21 798 78
TOTAL ASSETS	229 971 07
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	4 642 72
Total Current Liabilities	4 642 72
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	21 798 78
Unrestricted	203 529 57
Total Net Assets	225 328 35
TOTAL LIABILITIES AND NET ASSETS	229 971 07

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

		Program Revenue	Governmental Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	4 368 00	-	(4 368 00)
General government	87 303 73	7 180 31	(80 123 42)
Public safety	37 932 36	37 162 36	(770 00)
Public works	103 916 04	69 700 00	(34 216 04)
Total Governmental Activities	233 520 13	114 042 67	(119 477 46)
General Revenues:			
Property taxes			29 913 39
State revenue sharing			135 498 56
Interest			3 778 59
Miscellaneous			5 912 96
Total General Revenues			175 103 50
Change in net assets			55 626 04
Net assets, beginning of year			169 702 31
Net Assets, End of Year			225 328 35

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	Total (General)
Assets	
Cash in bank	192 047 71
Taxes receivable	16 117 94
Due from other funds	6 64
Total Assets	208 172 29
Liabilities and Fund Equity	
Liabilities:	
Accounts payable	4 642 72
Total liabilities	4 642 72
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	203 529 57
Total fund equity	203 529 57
Total Liabilities and Fund Equity	208 172 29

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	203 529 57
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	41 607 68
Accumulated depreciation	(19 808 90)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	225 328 35

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

	Total (General)
Revenues:	
Property taxes	29 913 39
Licenses and permits	1 808 41
State revenue sharing	135 498 56
Charges for services	5 371 90
Special assessments	106 862 36
Interest	3 778 59
Miscellaneous	5 912 96
Total revenues	289 146 17
Expenditures:	
Legislative:	
Township Board	4 368 00
General government:	
Supervisor	7 005 96
Elections	1 998 90
Clerk	12 075 00
Assessor	13 946 77
Board of Review	553 50
Treasurer	12 150 70
Building and grounds	17 135 28
Cemetery	3 544 12
Unallocated	17 889 55
Public safety:	
Fire protection	37 932 36
Public works:	
Highways and streets	38 384 52
Sanitation	65 531 52
Total expenditures	232 516 18
Excess of revenues over expenditures	56 629 99
Fund balances, April 1	146 899 58
Fund Balances, March 31	203 529 57

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

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	56 629 99
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(1 003 95)
Capital Outlay	-
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	55 626 04

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

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

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

Fiduciary Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .7768 mills, and the taxable value was $38,445,279.00.

Encumbrances

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

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than $500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25-30 years
Equipment	3-15 years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

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

Note 3 – Deposits and Investments

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

Note 3 – Deposits and Investments

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

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

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

	Carrying Amounts
Total Deposits	192 054 35

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

	Bank Balances
Insured (FDIC)	100 006 64
Uninsured and Uncollateralized	121 817 50
Total Deposits	221 824 14

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

Disclosures Relating to Interest Rate Risk

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

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

Note 3 – Deposits and Investments (continued)

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

Note 4 – Capital Assets

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

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Governmental Activities:				
Land	13 000 00	-		13 000 00
Buildings	18 113 23	-	-	18 113 23
Equipment	10 494 45	-	-	10 494 45
Total	41 607 68	-	-	41 607 68
Accumulated Depreciation	(18 804 95)	(1 003 95)	-	(19 808 90)
Net Capital Assets	22 802 73	(1 003 95)	-	21 798 78

Note 5 – 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 year ended March 31, 2008, was $2,732.75.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

The Township of Grout does not issue building permits. Building permits are issued by the Country of Gladwin.

Note 9 – Interfund Balances

The amount of interfund receivables and payables at March 31, 2008 were:

Fund	Interfund Receivable	Fund	Interfund Payable
General	6 64	Current Tax Collection	6 64
Total	6 64	Total	6 64

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	28 000 00	28 000 00	29 913 39	1 913 39
Licenses and permits	1 400 00	1 400 00	1 808 41	408 41
State revenue sharing	133 000 00	133 000 00	135 498 56	2 498 56
Charges for services	6 650 00	6 650 00	5 371 90	(1 278 10)
Special assessments	101 000 00	101 000 00	106 862 36	5 862 36
Interest	1 300 00	5 261 00	3 778 59	(1 482 41)
Miscellaneous	1 767 00	1 667 00	5 912 96	4 245 96
Total revenues	273 117 00	276 978 00	289 146 17	12 168 17
Expenditures:				
Legislative:				
Township Board	4 704 00	4 704 00	4 368 00	(336 00)
General government:				
Supervisor	6 672 00	7 072 00	7 005 96	(66 04)
Elections	2 800 00	2 800 00	1 998 90	(801 10)
Clerk	11 500 00	12 400 00	12 075 00	(325 00)
Assessor	15 000 00	15 000 00	13 946 77	(1 053 23)
Board of Review	1 100 00	1 100 00	553 50	(546 50)
Treasurer	11 500 00	12 400 00	12 150 70	(249 30)
Building and grounds	11 700 00	17 300 00	17 135 28	(164 72)
Cemetery	5 500 00	5 500 00	3 544 12	(1 955 88)
Unallocated	25 700 00	21 500 00	17 889 55	(3 610 45)
Public safety:				
Fire protection	34 720 00	38 220 00	37 932 36	(287 64)
Public works:				
Highways and streets	40 000 00	41 200 00	38 384 52	(2 815 48)
Sanitation	68 000 00	68 000 00	65 531 52	(2 468 48)
Total expenditures	238 896 00	247 196 00	232 516 18	(14 679 82)
Excess (deficiency) of revenues over expenditures	34 221 00	29 782 00	56 629 99	26 847 99
Fund balance, April 1	107 500 00	132 369 00	146 899 58	14 530 58
Fund Balance, March 31	141 721 00	162 151 00	203 529 57	41 378 57

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

Township Board:	
Salaries	4 368 00
Supervisor:	
Salary	7 005 96
Elections:	
Wages	1 998 90
Clerk:	
Salary	12 075 00
Assessor:	
Contracted services	13 682 76
Miscellaneous	264 01
	13 946 77
Board of Review	553 50
Treasurer:	
Salary	12 135 70
Wage – Deputy	15 00
	12 150 70
Building and grounds:	
Wages	1 866 60
Repairs and maintenance	10 853 82
Supplies	282 93
Utilities	4 131 93
	17 135 28
Cemetery:	
Contracted services	3 544 12
Unallocated:	
Payroll taxes	897 42
Insurance	3 454 17
Retirement	2 732 75
Office Supplies	5 771 10
Printing and publishing	476 52
Equalization	2 158 11
Training	1 177 71
Miscellaneous	1 221 77
	17 889 55
Fire protection:	
Fire Board wages	600 00
Contracted services	37 332 36
	37 932 36
Highways and streets	38 384 52
Sanitation	65 531 52
Total Expenditures	232 516 18

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Assets				
Cash in Bank	682 57	1 011 200 86	1 011 876 79	6 64
Liabilities				
Due to other funds	682 57	123 550 52	124 226 45	6 64
Due to others	-	887 650 34	887 650 34	-
Total Liabilities	682 57	1 011 200 86	1 011 876 79	6 64

TOWNSHIP OF GROUT
Gladwin County, Michigan

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

Cash in bank – beginning of year	682 57
Cash receipts:	
Property tax	1 011 200 86
Total cash receipts	1 011 200 86
Total beginning balance and cash receipts	1 011 883 43
Cash disbursements:	
Township General Fund	124 226 45
Gladwin County	548 232 12
Clare - Gladwin Intermediate School District	70 751 35
Gladwin Community School	168 841 87
Mid-Michigan Community College	42 449 85
Beaverton Rural Schools	53 938 90
Refunds	3 436 25
Total cash disbursements	1 011 876 79
Cash in Bank – End of Year	6 64

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 22, 2008

To the Township Board
Township of Grout
Gladwin County, Michigan

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

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

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

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

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

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

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

To the Township Board
Township of Grout
Gladwin County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

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

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

SUMMARY

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

Sincerely,

Campbell, Kusterer & Co., P.C.

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