

Pine River Township

Financial Statements

March 31, 2007



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 Pine River Township	County Gratiot
Fiscal Year End 3-31-07	Opinion Date 8-6-07	Date Audit Report Submitted to State 9-25-07	

We affirm that:

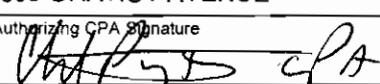
We are certified public accountants licensed to practice in Michigan.

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) ROSLUND, PRESTAGE & COMPANY, PC, CPA'S		Telephone Number 989-463-6123		
Street Address 308 GRATIOT AVENUE		City ALMA	State MI	Zip 48801
Authorizing CPA Signature 		Printed Name CHAD PAYTON, CPA		License Number 21946

Pine River Township
Financial Statements
March 31, 2007

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Pine River Township Board
March 31, 2007

Kevin Beeson

Supervisor

Gary Lofgren

Clerk

Elnora VanderVeen

Treasurer

Dave Best

Trustee

Jeff Baker

Trustee



Independent Auditor's Report

Pine River Township Board
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pine River Township (the Township), as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township'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 business type activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof 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 August 6, 2007, on our consideration of the Township's internal control over financial reporting and on 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 Management's Discussion and Analysis and budgetary comparison information in this report 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.

Roslund, Prestage & Co, P.C.
Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 6, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

PINE RIVER TOWNSHIP
Management's Discussion and Analysis

Using this Annual Report

We, the Board of Trustees of Pine River Township, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Pine River Township for the fiscal year ended March 31, 2007.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Pine River Township as a whole, and present a longer-term view of the Township's finances.

Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The unrestricted net assets of Pine River Township exceeded its liabilities at the close of the most recent fiscal year by \$2,103,549, which may be used to meet the Township's ongoing obligations to citizens and creditors. Of this amount, \$846,276 is for Governmental Activities (i.e. General Fund and Fire Fund) and \$1,271,273 is for Business-Type Activities (i.e. Sewer Funds).

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$846,276, a decrease of \$66,575 from the prior year fund balance.

The current level of unrestricted net assets for our governmental activities stands at \$846,276, or about 168% of expenditures.

The Township's total expenditures increased by \$9,453 for Governmental Activities, and increased by \$10,391 for Business-Type Activities.

Business-Type Activities

The Township's Business-Type Activities consist of the Saint Louis Sewer Fund and the Alma Sewer Fund. We provide sewer services to customers primarily along and adjacent to M-46 between Saint Louis and the US-127 Expressway, as well as along Begole Road from Alma city limits to Cheesman Road; Cheesman Road from Begole Road to Alger Road; Alger Road from Alma city limits to M-46, and M-46 from the US-127 Expressway to approximately ½ mile west of Alger Road. These two sewers are connected to waste treatment plants in Alma and Saint Louis, and longstanding agreements remain in place to provide for proper sewer treatment and disposal. The Township, along with Alma and Saint Louis signed a major agreement, titled, "Interlocal and Conditional Transfer Agreement". This agreement will allow municipal water to follow areas where municipal sewer already exists. This agreement will allow further growth in these areas, and furthermore will "preserve" the business community in Pine River Township, allowing the Township to retain its' "identity" without the constant threat of annexation. In the future, the sewer funds will be know as utility funds, and fund balances that are sitting idle in repair funds will be utilized to add water mains to the utility districts. This investment will benefit both parties... the land owners and the Township.

The Township's Funds

The analysis of our Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as the Fire fund.

The General fund pays for most of the Township's governmental services.

General Fund Budgetary Highlights

Over the course of the year, the Township Board of Trustees amended the budget to take into account events during the year. However, there were no significant changes. The Township negotiated a monumental agreement with Alma and Saint Louis in agreeing to a "growth agreement" that trades the availability of municipal water for uncontested land annexation utilizing Public Act 425 in specific areas of the Township. This agreement caused the Township to spend a considerable sum with both its' contract Planner and its' Legal Counsel. The Winans-Jackson Road project(s) were completed and the second of three payments to the Road Commission were made on behalf of the Township-at-Large. Budget-to-actual statements are shown on page 22.

Capital Asset and Debt Administration

At the end of March 2007, the Township had \$1,188,322 invested in cash accounts and had \$800,000 in Certificates of Deposit. Only \$300,000 was covered by FDIC Insurance. Deposits which exceed FDIC coverage limits are held at local banks. The Township believes that due to the dollar amounts 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 funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year includes a very conservative estimate for State Revenue Sharing payments. These funds have gradually been reduced, and Pine River Township has estimated further reductions for next year. Because some properties increase in value by less than inflation, and Proposal A caps new growth at the rate of inflation, the mathematical result is that the total taxable value of the Township will grow by less than the rate of inflation, before considering new property additions. Some promising industrial and commercial speculation is occurring in the Township; if they fully develop, the township will change dramatically. Beyond speculation, Wal-Mart is seeking water, sewer, and zoning variances for a new "Super Center", and Sparrow Health Systems has purchased property and has received site plan review for a medical facility near the intersection of Alger Road and Monroe Road.

Contacting your Township

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 989.681.5523, or write to us at:

**Pine River Township
1495 W Monroe Road
Saint Louis, MI 48880**

You may also view our website at www.pinerivertwp.org. The web portal allows the Township to provide many services, forms, facts, and figures "on-line".

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Pine River Township
Statement of Net Assets
March 31, 2007, With Comparative Data

	Governmental Activities	Business-Type Activities	Total	2006
Assets				
Current assets				
Cash and cash equivalents	\$725,825	\$1,262,847	\$1,988,672	\$2,017,116
Due from other governmental units	41,725	-	41,725	40,906
Accounts receivable	-	21,684	21,684	26,546
Special assessments receivable	20,048	3,657	23,705	26,791
Prepaid expenses	12,475	-	12,475	11,636
Due from other funds	28,302	6,392	34,694	9,608
Internal balances	13,698	(13,698)	-	-
Total current assets	<u>842,073</u>	<u>1,280,882</u>	<u>2,122,955</u>	<u>2,132,603</u>
Noncurrent assets				
Land	14,000	-	14,000	14,000
Capital assets, net of accumulated depreciation	307,511	497,695	805,206	823,451
Special assessments receivable	111,329	-	111,329	131,962
Total noncurrent assets	<u>432,840</u>	<u>497,695</u>	<u>916,535</u>	<u>969,413</u>
Total assets	<u>1,274,913</u>	<u>1,778,577</u>	<u>3,039,490</u>	<u>3,102,016</u>
Liabilities				
Current liabilities				
Accounts payable	9,689	9,609	19,298	13,593
Accrued liabilities	11,857	-	11,857	13,776
Total current liabilities	<u>21,546</u>	<u>9,609</u>	<u>31,155</u>	<u>27,369</u>
Long-term liabilities				
Deferred revenues	85,580	-	85,580	131,962
Total liabilities	107,126	9,609	116,735	159,331
Net Assets				
Invested in capital assets, net of related debt	321,511	497,695	819,206	837,451
Unrestricted	846,276	1,271,273	2,103,549	2,105,234
Total net assets	<u>\$1,167,787</u>	<u>\$1,768,968</u>	<u>\$2,936,755</u>	<u>\$2,942,685</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Activities
For the year ended March 31, 2007, With Comparative Data

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	Total
Functions/Programs					
Governmental Activities:					
Legislative	\$55,386	-	(\$55,386)	-	(\$55,386)
General government	160,816	-	(160,816)	-	(160,816)
Public safety	104,258	-	(104,258)	-	(104,258)
Public works	165,217	\$53,469	(111,748)	-	(111,748)
Community and economic development	17,712	8,455	(9,257)	-	(9,257)
Total governmental activities	503,389	61,924	(441,465)	-	(441,465)
Business-Type Activities					
Water and sewer	164,522	146,604	-	(\$17,918)	(17,918)
Total primary government	\$667,911	\$208,528	(441,465)	(17,918)	(465,792)
General Revenues					
Property taxes			203,706	-	203,706
State revenues			142,587	-	142,587
Investment earnings			34,686	54,848	89,534
Other revenues			12,113	5,513	17,626
Total general revenues			393,092	60,361	453,453
Change in net assets			(48,373)	42,443	(5,930)
Net assets - beginning of year			1,216,160	1,726,525	2,942,685
Net assets - end of year			\$1,167,787	\$1,768,968	\$2,936,755
					2006
					(\$42,240)
					(142,294)
					(118,367)
					(134,477)
					(26,335)
					(463,713)
					(2,079)
					(465,792)
					197,295
					170,171
					54,118
					18,330
					439,914
					(25,878)
					2,968,563
					\$2,942,685

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

Pine River Township
Balance Sheet
Governmental Funds
March 31, 2007, With Comparative Data

	Major Funds		Total (Memorandum Only)	2006
	General Fund	Fire Fund		
<u>Assets</u>				
Cash and cash equivalents	\$593,165	\$132,660	\$725,825	\$838,990
Due from other governmental units	41,725	-	41,725	40,906
Special assessments receivable	131,377	-	131,377	151,935
Prepaid expenses	-	12,475	12,475	11,636
Due from other funds	30,978	11,022	42,000	23,306
Total assets	\$797,245	\$156,157	\$953,402	\$1,066,773
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts payable	\$9,689	-	\$9,689	\$8,184
Accrued liabilities	11,857	-	11,857	13,776
Deferred revenues	85,580	-	85,580	131,962
Total liabilities	107,126	-	107,126	153,922
Fund equity				
Reserved for:				
Prepaid items	-	\$12,475	12,475	11,636
Designated for:				
Road improvements	250,000	-	250,000	250,000
Buildings and grounds	-	-	-	13,500
Equipment purchases	-	125,000	125,000	125,000
Unreserved & undesignated	440,119	18,682	458,801	512,715
Total fund equity	690,119	156,157	846,276	912,851
Total liabilities and fund equity	\$797,245	\$156,157	\$953,402	\$1,066,773

See accompanying notes to financial statements.

Pine River Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended March 31, 2007

Total fund balance - governmental funds		\$846,276
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.		
Cost of capital assets	482,538	
Accumulated depreciation	<u>(161,027)</u>	
		<u>321,511</u>
Net assets of governmental activities		<u>\$1,167,787</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2007, With Comparative Data

	Major Funds		Total (Memorandum Only)	2006
	General Fund	Fire Fund		
Revenues				
Taxes and penalties	\$96,620	\$107,086	\$203,706	\$197,295
Licenses and permits	8,455	-	8,455	5,759
State grants	142,587	-	142,587	170,171
Interest and rentals	30,273	4,413	34,686	25,672
Other revenues	65,582	-	65,582	39,378
Total revenues	343,517	111,499	455,016	438,275
Expenditures				
Legislative	55,386	-	55,386	42,240
General government	132,494	-	132,494	118,797
Public safety	-	104,258	104,258	118,367
Public works	165,217	-	165,217	158,941
Community and economic development	17,712	-	17,712	32,094
Capital outlay	46,524	-	46,524	97,092
Total expenditures	417,333	104,258	521,591	567,531
Excess of revenues over (under) expenditures	(73,816)	7,241	(66,575)	(129,256)
Fund balance - beginning of year	763,935	148,916	912,851	1,042,107
Fund balance - end of year	<u>\$690,119</u>	<u>\$156,157</u>	<u>\$846,276</u>	<u>\$912,851</u>

See accompanying notes to financial statements.

Pine River Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2007

Net change in fund balances - total governmental funds (\$66,575)

Amounts reported for governmental activities in the statement 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 as depreciation expense.

Add: capital outlay	46,524
Deduct: depreciation expense	<u>(28,322)</u>

Change in net assets of governmental activities (\$48,373)

See accompanying notes to financial statements.

Pine River Township
Statement of Net Assets
Proprietary Funds
March 31, 2007, With Comparative Data

	Business-Type Activities Enterprise Funds			2006
	Alma Sewer Fund	St. Louis Sewer Fund	Total	
Current assets				
Cash	\$1,077,372	\$185,475	\$1,262,847	\$1,178,126
Accounts receivable	13,177	8,507	21,684	26,546
Special assessment receivable	3,477	180	3,657	6,818
Due from other funds	3,962	2,430	6,392	-
Total current assets	<u>1,097,988</u>	<u>196,592</u>	<u>1,294,580</u>	<u>1,211,490</u>
Non-current assets				
Property and equipment				
Equipment	3,149	3,150	6,299	3,254
Sewer system	598,335	977,295	1,575,630	1,575,630
Total property and equipment	601,484	980,445	1,581,929	1,578,884
Less: accumulated depreciation	<u>(438,385)</u>	<u>(645,849)</u>	<u>(1,084,234)</u>	<u>(1,044,742)</u>
Net property and equipment	<u>163,099</u>	<u>334,596</u>	<u>497,695</u>	<u>534,142</u>
Total assets	<u>1,261,087</u>	<u>531,188</u>	<u>1,792,275</u>	<u>1,745,632</u>
Current liabilities				
Accounts payable	5,409	4,200	9,609	5,409
Due to other funds	6,849	6,849	13,698	13,698
Total current liabilities	<u>12,258</u>	<u>11,049</u>	<u>23,307</u>	<u>19,107</u>
Total liabilities	12,258	11,049	23,307	19,107
Net assets				
Invested in capital assets, net of related debt	163,099	334,596	497,695	534,142
Unrestricted	<u>1,085,730</u>	<u>185,543</u>	<u>1,271,273</u>	<u>1,192,383</u>
Total net assets	<u>\$1,248,829</u>	<u>\$520,139</u>	<u>\$1,768,968</u>	<u>\$1,726,525</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
March 31, 2007, With Comparative Data

	Business-Type Activities Enterprise Funds			2006
	Alma Sewer Fund	St. Louis Sewer Fund	Total	
Operating revenues				
Charges for services	\$69,745	\$76,859	\$146,604	\$152,052
Operating expenses				
Salaries	3,368	3,368	6,736	8,404
Supplies	432	864	1,296	934
Contractual services	63,873	50,562	114,435	102,244
Depreciation	15,009	24,483	39,492	39,391
Other	2,123	440	2,563	3,158
Total operating expenses	84,805	79,717	164,522	154,131
Operating income (loss)	(15,060)	(2,858)	(17,918)	(2,079)
Nonoperating revenues				
Interest income	48,086	6,762	54,848	28,446
Other revenue	3,713	1,800	5,513	360
Net income (loss)	36,739	5,704	42,443	26,727
Net assets, beginning of year	1,212,090	514,435	1,726,525	1,699,798
Net assets, end of year	<u>\$1,248,829</u>	<u>\$520,139</u>	<u>\$1,768,968</u>	<u>\$1,726,525</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Cash Flows
Proprietary Funds
March 31, 2007, With Comparative Data

	Business-Type Activities Enterprise Funds			2006
	Alma Sewer Fund	St. Louis Sewer Fund	Total	
Cash flows from operating activities				
Receipts from customers	\$69,538	\$78,698	\$148,236	\$157,754
Payments to suppliers / outsiders	(66,428)	(47,666)	(114,094)	(111,235)
Payments to employees	(3,368)	(3,368)	(6,736)	(8,404)
Internal activity - payments to other funds	-	-	-	8,404
Net cash provided by operating activities	<u>(258)</u>	<u>27,664</u>	<u>27,406</u>	<u>46,519</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	<u>(1,523)</u>	<u>(1,523)</u>	<u>(3,046)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(1,523)</u>	<u>(1,523)</u>	<u>(3,046)</u>	<u>-</u>
Cash flows from investing activities				
Interest income	48,086	6,762	54,848	28,446
Other receipts	3,713	1,800	5,513	360
Net cash provided by investing activities	<u>51,799</u>	<u>8,562</u>	<u>60,361</u>	<u>28,806</u>
Net increase in cash and cash equivalents	50,018	34,703	84,721	75,325
Cash and cash equivalents, beginning of year	<u>1,027,354</u>	<u>150,772</u>	<u>1,178,126</u>	<u>1,102,801</u>
Cash and cash equivalents, end of year	<u>\$1,077,372</u>	<u>\$185,475</u>	<u>\$1,262,847</u>	<u>\$1,178,126</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	(\$15,060)	(\$2,858)	(\$17,918)	(\$2,079)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	15,009	24,483	39,492	39,391
(Increase) decrease in:				
Accounts receivable	414	4,449	4,863	(2,950)
Special assessments receivable	3,341	(180)	3,161	8,652
Due from other funds	(3,962)	(2,430)	(6,392)	-
Increase (decrease) in:				
Accounts payable	-	4,200	4,200	(4,899)
Due to other funds	-	-	-	8,404
Net cash provided by operating activities	<u>(\$258)</u>	<u>\$27,664</u>	<u>\$27,406</u>	<u>\$46,519</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Net Assets
Fiduciary Fund
March 31, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$221,299	\$3,592
Due from county	<u>23,658</u>	<u>14,287</u>
 Total assets	 <u><u>\$244,957</u></u>	 <u><u>\$17,879</u></u>
 <u>Liabilities</u>		
Due to other funds	\$34,694	\$17,434
Other liabilities	<u>210,263</u>	<u>445</u>
 Total liabilities	 <u><u>\$244,957</u></u>	 <u><u>\$17,879</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Pine River Township
Notes to Financial Statements
March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Pine River Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Joint Ventures

Mid-Michigan Community Fire Control Board – The Township is a member of the Mid-Michigan Community Fire Control Board which is a joint venture between the City of St. Louis, Bethany Township, Pine River Township and Jasper Township. The Fire Board provides fire protection services to its members of local governments. The City and Townships each appoint one member to the joint venture's governing board. This board then determines and approves the annual budget.

The Township makes annual contributions to the Fire Board based on a formula using the average of the last 4 years of fire runs to determine the percentage cost applicable to each participating unit.

For the period July 1, 2006 through June 30, 2007, the Township's contribution to the Board was \$49,898.

Pine River Township
Notes to Financial Statements
March 31, 2007

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2007 can be obtained by writing to: Mid-Michigan Community Fire Board, 108 W. Saginaw, St. Louis, Michigan 48880.

Rural Urban Fire Control Board – The Township is a member of the Rural Urban Fire Control Board which is a joint venture between the City of Alma and the Townships of Arcada, Pine River, Seville and Sumner. The Board provides fire protection services to the Rural Urban Fire District. The membership of the Board is composed of seven members, of which the Township is represented by the Supervisor. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the member municipalities. The City of Alma provides day-to-day management oversight of this joint venture.

For the period July 1, 2006 through June 30, 2007, the Township's contribution to the Board was \$53,199.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2006 can be obtained by writing to: City of Alma, 525 Superior Street, PO Box 278, Alma, Michigan, 48801.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

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

Pine River Township
Notes to Financial Statements
March 31, 2007

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and 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. 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.

Governmental Fund Financial Statements - The 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 year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Proprietary Fund Financial Statements - The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

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

Pine River Township
Notes to Financial Statements
March 31, 2007

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major governmental funds:

General Fund - the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - accounts for resources generated to pay for fire services provided to Township residents.

The Township reports the following major proprietary funds:

Alma Sewer Fund and the St. Louis Sewer Fund - account for the activities of the sewage collection system.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Pine River Township
Notes to Financial Statements
March 31, 2007

Budgetary Data

Budgets are adopted by the Township for the general fund and the fire fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For Township operations, the 2006 Taxable Valuation of the Township totaled \$65,645,577, on which .9063 mills were levied. For fire services, the 2006 Taxable Valuation of the Township totaled \$59,420,073, on which 1.75 mills were levied.

The total 2006 levy for the Township was \$163,465, of which \$59,487 was for operating purposes and \$103,978 was for fire services.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Pine River Township
Notes to Financial Statements
March 31, 2007

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Receivables and Payables

Receivables have been recognized for all significant amounts due the Township as of March 31st. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Also, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

Inventories and Prepaid Expenditures

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

The Township's capitalization policy is to capitalize individual amounts exceeding \$500.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Pine River Township
Notes to Financial Statements
March 31, 2007

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Applicable – Not Depreciated
Equipment	3 – 5
Buildings	5 – 40
Sewer System	40

Deferred Revenue

Deferred revenue arises in governmental funds when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises in both governmental and proprietary funds when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

Long-term Obligations

As of the balance sheet date, the Township does not have any long-term obligations.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and fire fund. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2007, the Township did not incur expenditures in excess of the amounts appropriated as shown in the back of this report.

Pine River Township
Notes to Financial Statements
March 31, 2007

NOTE 3. DETAILED NOTES

Cash and Cash Equivalents

At March 31, 2007, the carrying amount of the Township's cash and cash equivalents was \$1,988,672 as follows:

Petty Cash	\$350
Cash Deposits	1,188,322
Certificates of Deposit	800,000
Total	\$1,988,672

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2007, the carrying amount of the Township's deposits was \$1,988,672, and the bank balance was \$2,008,307. Of the bank balance, \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Township believes that due to the dollar amounts 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 funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of March 31, 2007, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Pine River Township
Notes to Financial Statements
March 31, 2007

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

Interfund Receivables and Payables

At March 31, 2007, the composition of interfund balances is as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$30,978	-
Fire	11,022	-
Fiduciary	-	\$34,694
Alma Sewer	3,962	6,849
St. Louis Sewer	2,430	6,849
Totals	\$48,392	\$48,392

Interfund payables in the Fiduciary fund represent taxes that, as of year end, had not been transferred into the other respective funds. Interfund payables in the Alma and St. Louis Sewer funds represent amounts due to the General fund for payroll expenses.

Pine River Township
Notes to Financial Statements
March 31, 2007

Capital Assets

A summary of changes in the Township's governmental activities capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$14,000	-	-	\$14,000
Buildings	373,569	\$35,166	-	408,735
Equipment	49,570	11,358	(\$1,125)	59,803
Accumulated Depreciation	(133,830)	(28,322)	1,125	(161,027)
Net Capital Assets	\$303,309	\$18,202	-	\$321,511

Depreciation expense for the fiscal year amounted to \$28,322 and was charged to the general government function.

A summary of changes in the Township's business-type activities capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Sewer System	\$1,575,630	-	-	\$1,575,630
Equipment	3,254	\$3,045	-	6,299
Accumulated Depreciation	(1,044,742)	(39,492)	-	(1,084,234)
Net Capital Assets	\$534,142	(\$36,447)	-	\$497,695

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. No settlements have occurred in excess of coverage for March 31, 2007 or any of the prior three years.

Pine River Township
Notes to Financial Statements
March 31, 2007

Employees Retirement System – Defined Contribution Pension Plan

Plan Description

Pine River Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Pine River Township Group Employee's Pension Plan.

All members of the Township Board are eligible to participate in the plan. As of March 31, 2007, the pension plan's current membership was 5 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participant's receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Funding Policy

Participants are required to contribute 7.5% of annual salary with the Township contributing an additional 7.5% of each employee's annual salary to the plan. Participant and employer contributions are immediately 100% vested.

During the year, the Township's actual contributions to the plan amounted to \$6,518, which includes \$3,259 of employer contributions, and \$3,259 of employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

Pine River Township
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 General Fund and Fire Fund
 Year Ended March 31, 2007

	General Fund				Fire Fund			
	Original	Final	Actual	Variance	Original	Final	Actual	Variance
Revenues								
Taxes and penalties	\$87,000	\$87,000	\$96,620	\$9,620	\$104,577	\$104,577	\$107,086	\$2,509
Licenses and permits	5,000	5,000	8,455	3,455	-	-	-	-
State grants	155,000	155,000	142,587	(12,413)	-	-	-	-
Interest and rentals	16,000	16,000	30,273	14,273	-	-	4,413	4,413
Other revenues	27,600	27,600	65,582	37,982	-	-	-	-
Total revenues	290,600	290,600	343,517	52,917	104,577	104,577	111,499	6,922
Expenditures								
Legislative	54,618	69,618	55,386	14,232	-	-	-	-
General government	168,000	166,000	132,494	33,506	-	-	-	-
Public safety	-	-	-	-	104,779	104,779	104,258	521
Public works	209,232	197,232	165,217	32,015	-	-	-	-
Community and economic development	19,750	20,750	17,712	3,038	-	-	-	-
Capital outlay	57,600	55,600	46,524	9,076	-	-	-	-
Total expenditures	509,200	509,200	417,333	91,867	104,779	104,779	104,258	521
Excess of revenues over (under) expenditures	(218,600)	(218,600)	(73,816)	144,784	(202)	(202)	7,241	7,443
Fund balance - beginning of year	763,935	763,935	763,935	-	148,916	148,916	148,916	-
Fund balance - end of year	\$545,335	\$545,335	\$690,119	\$144,784	\$148,714	\$148,714	\$156,157	\$7,443

See accompanying notes to financial statements.



**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**

Township Board
Pine River Township
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Pine River Township (the Township) as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 6, 2007. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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 Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described as 2007-1 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

control. We consider the deficiencies described as 2007-1 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or 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 Township's internal control.

Our consideration of 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 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, we believe the significant deficiency described above as 2007-1, is not a material weakness.

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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated August 6, 2007.

Pine River Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Pine River Township's response and, accordingly, we express no opinion on it.

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



Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 6, 2007

Schedule of Findings and Responses

Finding 2007-1

Finding considered a significant deficiency

The annual financial statements for the year ended March 31, 2007, required relatively few audit adjustments, most of which the staff were aware needed to be recorded. Effective for the year ended March 31, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



Management Letter

Members of the Board
Pine River Township
St. Louis, Michigan

In planning and performing our audit of the financial statements of Pine River Township for the fiscal year ended March 31, 2007, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated August 6, 2007, on the financial statements of Pine River Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

August 6, 2007

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions.

Additionally, we recommend the Township Board review bank statements, cancelled checks and paid invoices on a regular basis.

Time Sheet Approval

During our review of payroll we found that not all time sheets required by employees are approved by a supervisor or another member of management. We recommend that all time sheets are approved by a supervisor or another responsible person (separate from the employee themselves) that has the knowledge of the employee's actual time.