

# Auditing Procedures Report

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

Local Unit of Government Type				Local Unit Name		County	
<input type="checkbox"/> County	<input type="checkbox"/> City	<input type="checkbox"/> Twp	<input type="checkbox"/> Village	<input type="checkbox"/> Other			
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State			

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>David W. Schwaninger</i>		Printed Name		License Number

**Township of Lake  
Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# Township of Lake

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## Independent Auditor's Report

To the Board of Trustees  
Township of Lake  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Township of Lake as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements. These financial statements are the responsibility of the Township of Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Township of Lake as of March 31, 2007 and the changes in financial position 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 the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

July 12, 2007

# Township of Lake

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## Management's Discussion and Analysis

Our discussion and analysis of the Township of Lake's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- Property tax revenue, our largest revenue source, increased by approximately \$2,000 this year.
- Total net assets related to the Township's governmental activities increased by approximately \$280. The unrestricted portion of net assets increased by approximately \$700.

### Using this Annual Report

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 the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

# Township of Lake

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows, in a condensed format, the net assets of the governmental activities as of March 31, 2007 and 2006:

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Current assets	\$ 22,517	\$ 22,335
Noncurrent assets	<u>2,300</u>	<u>2,718</u>
Total assets	24,817	25,053
<b>Liabilities</b>	<u>355</u>	<u>868</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	2,300	2,718
Unrestricted	<u>22,162</u>	<u>21,467</u>
Total net assets	<u><b>\$ 24,462</b></u>	<u><b>\$ 24,185</b></u>

The Township's combined net assets increased .1 percent from a year ago, increasing from \$24,185 to \$24,462.

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations, increased by \$695 for the governmental activities. This represents an increase of approximately 3 percent. The current level of unrestricted net assets for our governmental activities stands at \$22,162, or about 121 percent of expenditures. This is within the targeted range set by the Township during its last budget process.

# Township of Lake

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the past two years:

	Governmental Activities	
	2007	2006
<b>Revenue</b>		
Program revenue - Charges for services	\$ 3,416	\$ 3,304
General revenue:		
Property taxes	11,465	9,444
Investment earnings	1,489	1,125
Miscellaneous revenue	2,297	3,313
Total revenue	18,667	17,186
<b>Program Expenses - General government</b>	18,390	15,384
<b>Change in Net Assets</b>	<b>\$ 277</b>	<b>\$ 1,802</b>

### Governmental Activities

The Township's total governmental revenue increased by approximately \$1,500, primarily as a result of increased property tax revenue and interest income.

The Township's total general government expenditures increased approximately \$3,000, primarily as a result of increased operational and salaries expense.

### The Township's Funds

Our analysis of the Township's major fund begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the General Fund, which is the only fund of the Township for 2007. The General Fund pays for all the Township's governmental services.

### General Fund Budgetary Highlights

Over the course of the year, the Township monitors and amends the budget to take into account unanticipated events during the year. There were no significant budget amendments during 2007.

### Capital Asset and Debt Administration

At the end of 2007, the Township had \$2,300 invested in capital assets and no debt outstanding.

# **Township of Lake**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for next year calls for a decrease in property tax rates, based on the rate of inflation. Because of the impact of Proposal A, however, the Township needs to continue to monitor its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show 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 office.

# Township of Lake

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## Statement of Net Assets March 31, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 21,675
Taxes receivable	842
Depreciable assets - Net (Note 3)	<u>2,300</u>
Total assets	24,817
<b>Liabilities</b> - Accounts payable	<u>355</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	2,300
Unrestricted	<u>22,162</u>
Total net assets	<u><u>\$ 24,462</u></u>

# Township of Lake

## Statement of Activities Year Ended March 31, 2007

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
<b>Functions/Programs - Governmental activities - General government:</b>			
Township board	\$ 1,800	\$ -	\$ (1,800)
Supervisor	1,650	-	(1,650)
Elections	1,688	-	(1,688)
Financial	3,000	3,416	416
Assessor	150	-	(150)
Clerk	6,980	-	(6,980)
Board of review	500	-	(500)
Treasurer	2,622	-	(2,622)
	<u>2,622</u>	<u>-</u>	<u>(2,622)</u>
Total governmental activities	<u>\$ 18,390</u>	<u>\$ 3,416</u>	(14,974)
General revenues:			
Property taxes			11,465
Interest			1,489
Miscellaneous			<u>2,297</u>
Total general revenues			<u>15,251</u>
<b>Change in Net Assets</b>			277
<b>Net Assets - Beginning of year</b>			<u>24,185</u>
<b>Net Assets - End of year</b>			<u>\$ 24,462</u>

# Township of Lake

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## Governmental Fund Balance Sheet/Reconciliation of Fund Balance to the Statement of Net Assets March 31, 2007

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 21,675
Taxes receivable	<u>842</u>
Total assets	22,517
<b>Liabilities - Accounts payable</b>	<u>355</u>
<b>Fund Balance - Unreserved</b>	22,162
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 are not reported in the funds	<u>2,300</u>
Net assets of governmental activities	<u><u>\$ 24,462</u></u>

# Township of Lake

## Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended March 31, 2007

	<u>General Fund</u>
<b>Revenue</b>	
Property taxes	\$ 14,881
Interest income	1,489
Miscellaneous	<u>2,297</u>
Total revenue	18,667
<b>Expenditures - General government</b>	
Township board	1,800
Supervisor	1,650
Elections	1,270
Assessor	150
Financial	3,000
Clerk	6,980
Board of review	500
Treasurer	<u>2,622</u>
Total expenditures	<u>17,972</u>
<b>Change in Fund Balance</b>	695
<b>Fund Balance - Beginning of year</b>	<u>21,467</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 22,162</u></u>

# Township of Lake

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## **Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended March 31, 2007**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 695
Amounts reported for governmental activities in the statement of activities are different because depreciation is recorded as an expense in the statement of activities but not in the governmental funds	<u>(418)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 277</u></u>

# Township of Lake

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## Notes to Financial Statements March 31, 2007

### Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Lake (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Lake:

#### **Reporting Entity**

The Township of Lake is governed by an elected five-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### **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. Currently, the only fund of the Township is the General Fund, which is a generic fund type in the broad category referred to as governmental funds. General Fund activities are financed primarily by revenue from general property taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the governmental fund.

#### **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.

# Township of Lake

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## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township maintains only one fund as follows:

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes and other taxes.

#### **Assets, Liabilities, and Net Assets or Equity**

**Property Taxes** - Properties are assessed as of December 31. These taxes are billed on December 1 of the following year and become a lien at that time. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

**Construction Code Fees** - The Township does not collect construction code fees pursuant to the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

**Capital Assets** - Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repairs and maintenance that do not add to the value or materially extend asset life are not capitalized. The Township does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	15 years
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# Township of Lake

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2007, all of the Township's bank deposits (certificates of deposit, checking, and savings accounts), totaling approximately \$22,000 were insured and collateralized.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of March 31, 2007, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 7,625	AAA	Standard & Poor's

# Township of Lake

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets

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

	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets being depreciated -				
Equipment	\$ 6,272	\$ -	\$ -	\$ 6,272
Accumulated depreciation - Equipment	<u>3,554</u>	<u>418</u>	<u>-</u>	<u>3,972</u>
Net capital assets	<u>\$ 2,718</u>	<u>\$ (418)</u>	<u>\$ -</u>	<u>\$ 2,300</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities - General government	\$ 418
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### Note 4 - Budgetary Information

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations to the General Fund budget as adopted by the Township board is included in the general purpose financial statements.

During the year, the Township incurred expenditures that were in excess of the amounts budgeted. These unfavorable variances were caused by unanticipated expenditures that became necessary during the year. The budget overruns are as follows:

	Amended Budget	Actual
Assessor	\$ 100	\$ 150
Clerk	6,960	6,980
Treasurer	900	2,622

## **Note 5 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township participates in the Michigan Municipal Risk Management Authority state pool program for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool program also operates as a common risk-sharing management program. A portion of the excess insurance is underwritten by the Authority itself.

## **Required Supplemental Information**

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# Township of Lake

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 13,660	\$ 13,660	\$ 14,881	\$ 1,221
Interest income	1,200	1,200	1,489	289
Miscellaneous	4,900	2,000	2,297	297
Total revenue	19,760	16,860	18,667	1,807
<b>Expenditures - General government</b>				
Township board	1,800	1,800	1,800	-
Supervisor	1,800	1,800	1,650	150
Elections	2,700	2,700	1,270	1,430
Financial	3,000	3,000	3,000	-
Assessor	2,100	100	150	(50)
Clerk	6,960	6,960	6,980	(20)
Board of review	500	500	500	-
Treasurer	900	900	2,622	(1,722)
Total expenditures	19,760	17,760	17,972	(212)
<b>Excess of Revenue Over (Under)</b>				
Expenditures	-	(900)	695	1,595
<b>Fund Balance - Beginning of year</b>	21,467	21,467	21,467	-
<b>Fund Balance - End of year</b>	<u>\$ 21,467</u>	<u>\$ 20,567</u>	<u>\$ 22,162</u>	<u>\$ 1,595</u>

June 12, 2007

To the Township Board  
Township of Lake  
795 Lake Shore Road  
Grosse Pointe Shores, MI 48236

Dear Township Council Members:

In planning and performing our audit of the financial statements of the Township of Lake as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control.

We noted no material weaknesses; however, we consider the following control deficiencies to be significant deficiencies:

- **Lack of Segregation of Duties** - Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of checks and balances is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records. We noted the following areas that lack segregation of duties:
  - **Payroll** - The finance officer has the ability to sign payroll checks, add new employees to the payroll system, print payroll checks, and post journal entries to the general ledger (which are not required to be reviewed). We recommend that the finance officer be removed as an authorized check signer on this account.

- **Journal Entries** - The finance officer is responsible for preparing and posting journal entries into the general ledger software system. This accounting data is being processed with no apparent supervisory review. A supervisory review of the finance officer's work would strengthen the controls and may detect errors in the preparation process that may otherwise go undetected.
- **Wire Transfers** - The Township makes use of electronic wire transfers to effect various transactions, including payroll and debt payments. Currently, these transfers can be initiated and authorized by the finance officer without prior review or approval by a second individual. We recommend implementing controls over wire transfers that would mirror or exceed those controls in place for traditional disbursements (approvals by various individuals, Council review, etc).
- **Audit Journal Entries** - As a result of the auditing procedures performed, we detected and proposed the following significant audit adjustments. The Township posted the proposed journal entries to more accurately reflect the financial condition of the Township at March 31, 2007.
  - **GASB 34** - No journal entries were posted by the Township to prepare the government-wide (GASB 34) financial statements. The Township requested assistance with proposing these entries. All GASB 34 transactions were corrected through audit adjustments.

We also noted other accounting and legislative matters that we would like to communicate to you:

**New Audit Standards** - The following new audit standards, issued by the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board, have been implemented for the Township's March 31, 2007 year end.

- **Statement on Auditing Standards No. 103 (Audit Documentation)** - This standard clarifies and increases the requirements that auditors must follow in obtaining, managing, and retaining documentation that supports the audit opinion. It prescribes the form, content, and extent of audit documentation necessary to support the audit work. It also redefines the method used to determine the dating of the auditor's report and creates a "lock down" date for the audit file.

The impact of this new standard resulted in increased requests for audit documentation and dating the opinion letter later than in previous years.

- **Statement on Auditing Standards No. 112 (Communicating Internal Control-related Matters Identified in an Audit)** - This standard establishes standards and provides guidance regarding the auditor's communication responsibility to those charged with governance (i.e. Council or finance/audit committee) concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The standard defines internal control deficiency, significant deficiency (this term replaces the term "reportable condition"), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported, in writing, to those charged with governance and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

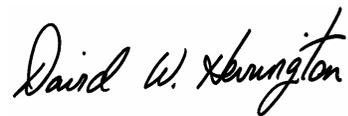
The impact of this new standard resulted in more significant deficiencies being reported due to the lower threshold for reporting internal control deficiencies. For example, items such as audit adjustments and passed adjustments are now considered strong indicators of internal control deficiencies.

In addition to the two new Auditing Standards listed above, eight Auditing Standards will be effective for the Township's March 31, 2008 year end. Statement on Auditing Standards No. 104 to 111 (The Risk Assessment Standards) will substantially impact and change the future audit process. We are currently evaluating the specific impact and changes of these standards on our audit process. We will keep you apprised of our progress.

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

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive style with a large, prominent initial 'D'.

David W. Herrington

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The signature is written in a cursive style with a large, prominent initial 'J'.

Jenny L. Cederstrom