

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 Belvidere Township	County Montcalm
Fiscal Year End March 31, 2007	Opinion Date June 29, 2007	Date Audit Report Submitted to State August 13, 2007	

We affirm that:

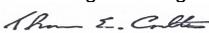
We are certified public accountants licensed to practice in Michigan.

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).

- Check each applicable box below.** (See instructions for further detail.)
- | YES | NO | |
|---|-------------------------------------|---|
| 1. <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. <input type="checkbox"/> | <input checked="" type="checkbox"/> | 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. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. <input type="checkbox"/> | <input checked="" type="checkbox"/> | 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) Yeo & Yeo PC		Telephone Number 989-463-6108	
Street Address 7810 N. Alger Rd		City Alma	State MI
Authorizing CPA Signature 		Printed Name Thomas E. Coulter	License Number 1612544
		Zip 48801	

Belvidere Township
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2007

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Belvidere Township
List of Elected and Appointed Officials
March 31, 2007

Township Officials

Steve Brigham – Supervisor

Sheila Smith – Clerk

Diana Eckert – Treasurer

Darlene Beardslee – Trustee

Gerald Derenski - Trustee



7810 N. Alger Rd.
Alma, MI 48801
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Independent Auditors' Report

To the Township Board
Belvidere Township
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Belvidere 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Belvidere Township as of March 31, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified 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.

Yeo & Yeo, P.C.

June 29, 2007
Alma, Michigan

Belvidere Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

Our discussion and analysis of Belvidere Township's 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.

Total net assets related to the Township's governmental activities are \$1,559,052. The amount that is unrestricted is \$1,229,026.

In light of continuing State Budget Problems, and constant threats to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures.

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 Belvidere Township as a whole and present a longer-term 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 governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's 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. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Belvidere Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

Belvidere Township as a Whole

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

Table 1

	Governmental Activities	
	2007	2006
Current assets	\$ 1,233,962	\$ 1,378,658
Capital assets, net	<u>330,026</u>	<u>95,033</u>
Total assets	<u>1,563,988</u>	<u>1,473,691</u>
Current liabilities	<u>4,936</u>	<u>7,876</u>
Total net assets	<u>\$ 1,559,052</u>	<u>\$ 1,465,815</u>

Belvidere Township's net assets of governmental activities are \$1,559,052, of which \$1,229,026 is classified as unrestricted and the remaining \$330,026 is invested in capital assets.

Belvidere Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

The following table shows, in a condensed format, the statement of activities as of March 31, 2007 and 2006.

Table 2

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue		
Charges for services	\$ 13,291	\$ 10,625
General revenue:		
Property taxes	316,973	310,948
State-shared revenue	181,416	181,473
Unrestricted investment earnings	46,963	31,216
Miscellaneous	<u>24,790</u>	<u>44,188</u>
Total revenue	<u>583,433</u>	<u>578,450</u>
Program expenses		
General government	156,096	147,321
Public safety	50,530	50,486
Public works	154,158	155,565
Highways, streets, bridges, and sidewalks	93,205	65,077
Community and economic development	20,630	-
Recreation and culture	<u>15,577</u>	<u>17,539</u>
Total program expenses	<u>490,196</u>	<u>435,988</u>
Change in net assets	<u>\$ 93,237</u>	<u>\$ 142,462</u>

Belvidere Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

Governmental Activities

Belvidere Township's total governmental activity revenues were \$583,433 and \$578,450 for the years ended March 31, 2007 and 2006, respectively. Charges for services increased in the current year due to an increase in grave openings and cemetery lot sales. Unrestricted investment earnings also increased in the current year due to an increase in interest rates on checking and deposit accounts.

Governmental activity expenditures of \$490,196 and \$435,988 were recorded for the years ended March 31, 2007 and 2006 respectively. This included increases in fire supplies and equipment expense, zoning expense, and road repair and maintenance expense in the current year. To offset this, the Township closely monitored its spending in all other areas.

Belvidere Township's Funds

The fund financial statements provide detailed information about the most significant funds, not Belvidere Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decrease in fund balance of \$134,811 in the current year.

b) **Special Revenue**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c) **Fiduciary Fund**

The Fiduciary Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

**Belvidere Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant changes were an increase in repair and maintenance expense for fire services, an increase in refuse collection and disposal expense, and an increase in repair and maintenance expense for the roads. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these increased expenditures .

Capital Assets

At March 31, 2007, Belvidere Township has \$638,318 invested in a wide range of capital assets, including land, buildings, and machinery and equipment. The total amount of accumulated depreciation as of March 31, 2007 was \$308,292. The net capital asset balance at the end of the fiscal year is \$330,026.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments have the potential to decrease again due to State cutbacks and less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services, continue to have a concern on the Township's ability to balance its budget.

Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

Contacting Belvidere Townships Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Belvidere Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township hall.

Belvidere Township
Statement of Net Assets
March 31, 2007

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,157,026
Receivables	
Taxes	1,234
Accrued interest and other	3,990
Due from other units of government	70,484
Prepaid items	1,228
Nondepreciable capital assets	47,300
Depreciable capital assets, net	282,726
Total assets	1,563,988
Liabilities	
Accrued and other liabilities	4,936
Net Assets	
Invested in capital assets, net of related debt	330,026
Restricted for:	
Unrestricted	1,229,026
Total net assets	\$ 1,559,052

See Accompanying Notes to Financial Statements

Belvidere Township
Statement of Activities
For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Primary government				Primary Government
Governmental activities				Governmental Activities
General government	\$ 152,770	\$ 6,850	\$ -	\$ (145,920)
Public safety	50,530	6,441	-	(44,089)
Public works	154,158	-	-	(154,158)
Highways, streets, bridges, and sidewalks	93,205	-	-	(93,205)
Community and economic development	20,630	-	-	(20,630)
Recreation and culture	18,903	-	-	(18,903)
Total primary government	\$ 490,196	\$ 13,291	\$ -	(476,905)
General revenues				
Property taxes				316,973
State shared revenue				181,416
Unrestricted investment earnings				46,963
Miscellaneous				24,790
Total general revenues				570,142
Change in net assets				93,237
Net assets - beginning of year				1,465,815
Net assets - end of year				\$ 1,559,052

See Accompanying Notes to Financial Statements

**Belvidere Township
Governmental Funds
Balance Sheet
March 31, 2007**

	<u>General</u>	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>
		<u>Road Fund</u>	<u>Refuse Fund</u>	
Assets				
Cash and cash equivalents	\$ 784,714	\$ 86,297	\$ 286,015	\$ 1,157,026
Receivables				
Taxes	1,234	-	-	1,234
Accrued interest and other	-	-	3,990	3,990
Due from other units of government	50,487	7,362	12,635	70,484
Due from other funds	6,908	5,903	11,421	24,232
Prepaid items	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>1,228</u>
 Total assets	 <u>\$ 844,571</u>	 <u>\$ 99,562</u>	 <u>\$ 314,061</u>	 <u>\$ 1,258,194</u>

See Accompanying Notes to Financial Statements

**Belvidere Township
Governmental Funds
Balance Sheet
March 31, 2007**

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Road Fund</u>	<u>Refuse Fund</u>	
Liabilities				
Accrued and other liabilities	\$ 4,936	\$ -	\$ -	\$ 4,936
Due to other funds	17,324	4,180	2,728	24,232
Deferred revenue	9,917	7,362	15,546	32,825
 Total liabilities	 <u>32,177</u>	 <u>11,542</u>	 <u>18,274</u>	 <u>61,993</u>
 Fund Balances				
Reserved for:				
Prepays	1,228	-	-	1,228
Unreserved, reported in:				
General fund	811,166	-	-	811,166
Special revenue funds	-	88,020	295,787	383,807
 Total fund balances	 <u>812,394</u>	 <u>88,020</u>	 <u>295,787</u>	 <u>1,196,201</u>
 Total liabilities and fund balances	 <u>\$ 844,571</u>	 <u>\$ 99,562</u>	 <u>\$ 314,061</u>	 <u>\$ 1,258,194</u>

See Accompanying Notes to Financial Statements

Belvidere Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 1,196,201
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	330,026
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>32,825</u>
Net assets of governmental activities	<u>\$ 1,559,052</u>

Belvidere Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Road Fund</u>	<u>Refuse Fund</u>	
Revenues				
Taxes	\$ 104,411	\$ 75,619	\$ 137,945	\$ 317,975
Licenses and permits	2,740	-	-	2,740
State revenue sharing	181,416	-	-	181,416
Charges for services	13,291	-	-	13,291
Interest income	34,867	3,033	9,063	46,963
Rental income	11,673	-	-	11,673
Other revenue	11,529	-	-	11,529
	<u>359,927</u>	<u>78,652</u>	<u>147,008</u>	<u>585,587</u>
Total revenues				

See Accompanying Notes to Financial Statements

Belvidere Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Road Fund</u>	<u>Refuse Fund</u>	
Expenditures				
Current				
General government	149,211	-	-	149,211
Public safety	32,098	-	-	32,098
Public works	31,011	-	123,147	154,158
Highways, street, bridges and sidewalks	-	93,205	-	93,205
Community and economic development	20,630	-	-	20,630
Recreation and culture	18,383	-	-	18,383
Capital outlay	<u>257,504</u>	<u>-</u>	<u>-</u>	<u>257,504</u>
 Total expenditures	<u>508,837</u>	<u>93,205</u>	<u>123,147</u>	<u>725,189</u>
 Excess (deficiency) of revenues over expenditures	<u>(148,910)</u>	<u>(14,553)</u>	<u>23,861</u>	<u>(139,602)</u>
 Other financing sources (uses)				
Transfers in	14,099	-	-	14,099
Transfers out	<u>-</u>	<u>-</u>	<u>(14,099)</u>	<u>(14,099)</u>
 Total other financing sources and uses	<u>14,099</u>	<u>-</u>	<u>(14,099)</u>	<u>-</u>
 Net change in fund balance	<u>(134,811)</u>	<u>(14,553)</u>	<u>9,762</u>	<u>(139,602)</u>
 Fund balance - beginning of year	<u>947,205</u>	<u>102,573</u>	<u>286,025</u>	<u>1,335,803</u>
 Fund balance - end of year	<u>\$ 812,394</u>	<u>\$ 88,020</u>	<u>\$ 295,787</u>	<u>\$ 1,196,201</u>

See Accompanying Notes to Financial Statements

Belvidere Township
Governmental Funds
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 \$ (139,602)

Total change in net assets reported for governmental activities in the statement of activities is different because:

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

Depreciation expense	(21,923)
Capital outlay	256,916

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	(1,002)
Other revenue	<u>(1,152)</u>

Change in net assets of governmental activities **\$ 93,237**

Belvidere Township
Fiduciary Funds
Statement of Net Assets
March 31, 2007

Assets

Cash and cash equivalents	\$ 260
Due from other units of government	<u>190</u>
 Total assets	 <u>\$ 450</u>

Liabilities

Due to other units of government	<u>\$ 450</u>
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See Accompanying Notes to Financial Statements

Belvidere Township
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Belvidere Township is governed by an elected five-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 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*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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*, as are the proprietary fund and fiduciary fund financial statements. 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 revenues 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 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 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.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Belvidere Township
Notes to Financial Statements
March 31, 2007

The government reports the following major governmental funds:

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

The Road Fund accounts for the revenue and expenditures with the government's road operations.

The Refuse Collection Fund accounts for the revenue and expenditures with the government's refuse collection operation.

Additionally, the government reports the following:

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$83,985,295 on which ad valorem taxes consisted of 0.8227 mills for operating purposes, 0.9589 mills for road purposes, and 1.6456 for refuse purposes. This resulted in \$68,987 for operating expenses, \$80,409 for road expenses, and \$138,001 for refuse expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than

Belvidere Township
Notes to Financial Statements
March 31, 2007

\$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Machinery and equipment	5 to 10 years

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 purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Municipality's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Municipality is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles

generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007, the Township incurred expenditures in the General Fund and Refuse Fund in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount</u> <u>Expended</u>	<u>Unfavorable</u> <u>Variance</u>
General Fund			
Recreation and culture	\$ 17,000	\$ 18,383	\$ 1,383
Refuse Fund			
Transfers out	-	14,099	14,099

NOTE 3 - DEPOSITS

Belvidere Township
Notes to Financial Statements
March 31, 2007

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 1,157,026
Fiduciary funds	260
Total	\$ 1,157,286

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of 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 no investment policy that would further limit its investment choices. As of March 31, 2007, the Township has no investments.

Concentration of credit risk – The government has no policy that

would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$932,238 was exposed to custodial credit risk because it was uninsured and uncollateralized .

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Property taxes	28,728
Other revenue	4,097
	\$ 32,825

Belvidere Township
Notes to Financial Statements
March 31, 2007

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 47,300	\$ -	\$ -	\$ 47,300
Capital assets being depreciated				
Buildings, additions and improvements	86,421	10,270	-	96,691
Machinery and equipment	277,681	246,646	30,000	494,327
Total capital assets being depreciated	364,102	256,916	30,000	591,018
Less accumulated depreciation for				
Buildings, additions and improvements	61,304	1,032	-	62,336
Machinery and equipment	255,065	20,891	30,000	245,956
Total accumulated depreciation	316,369	21,923	30,000	308,292
Net capital assets being depreciated	47,733	234,993	-	282,726
Governmental activities capital assets, net	\$ 95,033	\$ 234,993	\$ -	\$ 330,026

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

Governmental activities	
General government	\$ 3,559
Public safety	17,844
Recreation and culture	520
Total governmental activities	\$ 21,923

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Road Fund	\$ 4,180
General Fund	Refuse Fund	2,728
Road Fund	General Fund	5,903
Refuse Fund	General Fund	11,421
		<u>\$ 24,232</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Refuse Fund	General Fund	\$ 14,099

The refuse fund transferred \$14,099 to the general fund as the revenue was recorded in the refuse fund when it should have been recorded in the general fund.

NOTE 7 - RISK MANAGEMENT

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

Belvidere Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Taxes				
Property taxes	\$ 71,400	\$ 71,400	\$ 74,044	\$ 2,644
Administration fee	22,000	22,000	30,367	8,367
Licenses and permits	2,000	2,000	2,740	740
State shared revenue	182,000	182,000	181,416	(584)
Charges for services	10,400	10,400	13,291	2,891
Interest income	5,000	5,000	34,867	29,867
Rental income	12,500	12,500	11,673	(827)
Other revenue	3,000	3,000	11,529	8,529
Transfer in	-	-	14,099	14,099
Total revenues	<u>308,300</u>	<u>308,300</u>	<u>374,026</u>	<u>65,726</u>

Belvidere Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Township board	\$ 54,000	\$ 52,244	\$ 44,910	\$ (7,334)
Supervisor	8,500	8,500	8,050	(450)
Clerk	16,500	16,500	16,199	(301)
Board of review	2,500	2,500	896	(1,604)
Treasurer	20,000	22,972	23,095	123
Assessor	28,000	28,000	25,654	(2,346)
Elections	5,000	5,271	5,271	-
Cemetery	30,000	30,000	25,136	(4,864)
Total general government	<u>164,500</u>	<u>165,987</u>	<u>149,211</u>	<u>(16,776)</u>
Public safety				
Fire department	<u>42,100</u>	<u>37,477</u>	<u>32,098</u>	<u>(5,379)</u>
Public works				
Contract service	45,800	39,534	26,403	(13,131)
Street lighting	<u>4,200</u>	<u>4,200</u>	<u>4,608</u>	<u>408</u>
Total public works	<u>50,000</u>	<u>43,734</u>	<u>31,011</u>	<u>(12,723)</u>

Belvidere Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development Zoning	18,000	20,779	20,630	(149)
Recreation and culture Parks and recreation	17,000	17,000	18,383	1,383
Capital outlay	173,683	261,646	257,504	(4,142)
Total expenditures	465,283	546,623	508,837	(37,786)
Deficiency of revenues over expenditures	(156,983)	(238,323)	(134,811)	103,512
Fund balance - beginning of year	947,205	947,205	947,205	-
Fund balance - end of year	<u>\$ 790,222</u>	<u>\$ 708,882</u>	<u>\$ 812,394</u>	<u>\$ 103,512</u>

Belvidere Township
Required Supplemental Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 77,000	\$ 77,000	\$ 75,619	\$ (1,381)
Interest income	-	-	3,033	3,033
Total revenues	<u>77,000</u>	<u>77,000</u>	<u>78,652</u>	<u>1,652</u>
Expenditures				
Highways, streets and bridges Contracted Services	<u>75,000</u>	<u>93,205</u>	<u>93,205</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2,000	(16,205)	(14,553)	1,652
Fund balance - beginning of year	<u>102,573</u>	<u>102,573</u>	<u>102,573</u>	<u>-</u>
Fund balance - end of year	<u>\$ 104,573</u>	<u>\$ 86,368</u>	<u>\$ 88,020</u>	<u>\$ 1,652</u>

Belvidere Township
Required Supplemental Information
Budgetary Comparison Schedule
Refuse Collection Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 132,000	\$ 132,000	\$ 137,945	\$ 5,945
Interest income	-	-	9,063	9,063
Total revenues	<u>132,000</u>	<u>132,000</u>	<u>147,008</u>	<u>15,008</u>
Expenditures				
Refuse collection and disposal				
Contracted Services	120,000	127,166	123,147	(4,019)
Transfers out	-	-	14,099	14,099
Total expenditures	<u>120,000</u>	<u>127,166</u>	<u>137,246</u>	<u>10,080</u>
Excess of revenues over expenditures	12,000	4,834	9,762	4,928
Fund balance - beginning of year	<u>286,025</u>	<u>286,025</u>	<u>286,025</u>	<u>-</u>
Fund balance - end of year	<u>\$ 298,025</u>	<u>\$ 290,859</u>	<u>\$ 295,787</u>	<u>\$ 4,928</u>



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June 29, 2007

To the Township Board
Belvidere Township
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Belvidere Township 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 Belvidere Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 weakness. 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. We consider the following deficiencies to be significant deficiencies in internal control:

CASH RECONCILIATIONS

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During our audit, it was noted that bank reconciliations were being conducted; however, the preparation of these reconciliations was done after year end and were inaccurate. We recommend that management establish procedures to ensure that cash accounts are reconciled on a monthly basis.

JOURNAL ENTRIES

Due to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112, is effective for audits of financial statements for periods ending on or after December 15, 2006. We proposed eleven journal entries that you approved and posted to your general ledger. The effect of such entries was to increase net income by \$37,496. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a

review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

We have also noted an additional item that we feel could improve your internal controls. This item is not considered a significant deficiency or material weakness but is presented for your consideration.

ACCOUNT RECONCILIATION

During the audit, it was also noted that the Quick Books program allows a user to post entries to prior years. We recommend that the Clerk lock the year end balances in Quick Books which deters any further journal entries from being made to the prior year by mistake. When you lock Quick Books, you are then required to enter in a password every time you want to make a journal entry to the prior period. This will emphasize changes made to the prior year.

- § To lock Quick Books, complete the following instructions:
- § Click on Edit (top of the screen)
- § Click on Preferences (from the drop down window)
- § Click on Accounting (from the tabs on the left of the window)
- § Click on Customer Preferences (right tab on the window)
- § Enter the Closing Date (this year would be 3/31/07)
- § Set a Password (can use the same password as for Quick Books access; this password will be needed to make changes to accounting information prior to the closing date entered)

In addition to locking Quick Books, as a part of the monthly reconciliation process, management needs to verify that the fund balance agrees with the fund balance amount from the prior year audit. The individual needs to sign the Quick Books printout noting that the amount agrees to the prior year audit. This printout should be retained for the audit. When a deviation is noted, it needs to be corrected immediately. It is much easier to find an error over a one month time frame rather than over an entire year span.

We further recommend that the Treasurer periodically review the journal entries made for reasonableness and proper support. The Treasurer should monitor the "Audit Trail" component of Quick Books to verify that no adjusting journal entries previously made were subsequently changed. If changes were made, the Treasurer should then verify the appropriateness of those changes.

The above procedures will tighten controls over journal entries and will prevent journal entries from being posted to prior years by mistake.

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Increase the segregation of duties within the tax account.	X		
Lock the year end balances in Quick Books so that in order to post an entry to the prior period, you must enter in a password.			X

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

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

Very truly yours,



YEO & YEO, P.C.
CPAs and Business Consultants