Township of Pierson
Montcalm County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended March 31, 2008

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7 - 8
Notes to financial statements	9 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	14 - 15
Big Whitefish Lake Fund	16
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	17
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	18

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Pierson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pierson, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the 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 U.S. generally accepted auditing standards. 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, each major fund, and the aggregate remaining fund information of the Township of Pierson, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Pierson, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

September 19, 2008

1958-2008

BASIC FINANCIAL STATEMENTS

Township of Pierson

STATEMENT OF NET ASSETS

March 31, 2008

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 607,373
Receivables	75,189
Total current assets	682,562
Noncurrent assets:	
Capital assets not being depreciated	12,947
Capital assets, net of accumulated depreciation	117,086
Total noncurrent assets	130,033
Total assets	812,595
LIABILITIES	
Current liabilities:	
Accounts payable	8,973
Customer deposits	1,000
Total current liabilities	9,973
NET ASSETS	
Invested in capital assets	130,033
Restricted for public works	143,502
Unrestricted	529,087
Total net assets	$ 802,622

See notes to financial statements

Township of Pierson
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program revenues			Net (expenses) revenues and changes in net assets
	Expenses	*Charges for services*	*Operating grants and contributions*	*Capital grants and contributions*	*Governmental activities*
Functions/Programs					
Governmental activities:					
Legislative	$ 4,150	$ -	$ -	$ -	$ (4,150.00)
General government	161,930	36,498	-	-	(125,432)
Public safety	49,973	-	-	-	(49,973)
Public works	117,479	51,750	5,827	-	(59,902)
Community and economic development	13,769	3,393	-	-	(10,376)
Total governmental activities	$ 347,301	$ 91,641	$ 5,827	$ -	(249,833)
	General revenues:				
	Property taxes				62,239
	State shared revenue				183,315
	Interest income				29,825
	Royalties				78,166
	Other				5,601
	Total general revenues				359,146
	Change in net assets				109,313
	Net assets - beginning				693,309
	Net assets - ending				$ 802,622

See notes to financial statements

Township of Pierson
BALANCE SHEET - *governmental funds*
March 31, 2008

	Major funds			
	General	***Big Whitefish Lake***	***Nonmajor governmental funds***	***Total governmental funds***
ASSETS				
Cash	$ 447,754	$ 121,700	$ 37,919	$ 607,373
Receivables	72,639	1,050	1,500	75,189
Total assets	$ 520,393	$ 122,750	$ 39,419	$ 682,562
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	$ 8,973	$ -	$ -	$ 8,973
Customer deposits	1,000	-	-	1,000
Total liabilities	9,973	-	-	9,973
Fund balances:				
Unreserved	510,420	122,750	-	633,170
Unreserved, reported in nonmajor special revenue funds	-	-	39,419	39,419
Total fund balances	510,420	122,750	39,419	672,589
Total liabilities and fund balances	$ 520,393	$ 122,750	$ 39,419	$ 682,562

Total fund balances - total governmental funds	$ 672,589
Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:	
Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.	130,033
Net assets of *governmental activities*	$ 802,622

See notes to financial statements

Township of Pierson

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

Year ended March 31, 2008

	Major funds			
	General	***Big Whitefish Lake***	***Nonmajor governmental funds***	***Total governmental funds***
REVENUES				
Property taxes	$ 92,236	$ -	$ -	$ 92,236
Licenses and permits	3,393	-	-	3,393
State grants	189,142	-	-	189,142
Charges for services	5,452	-	1,049	6,501
Interest and rentals	102,000	4,952	1,039	107,991
Other:				
Special assessments	-	33,300	18,450	51,750
Miscellaneous	3,051	1,103	1,447	5,601
Total revenues	395,274	39,355	21,985	456,614
EXPENDITURES				
Legislative	4,150	-	-	4,150
General government	157,341	-	-	157,341
Public safety	49,973	-	-	49,973
Public works	141,924	41,284	26,836	210,044
Community and economic development	13,769	-	-	13,769
Capital outlay	4,390	-	-	4,390
Total expenditures	371,547	41,284	26,836	439,667
NET CHANGE IN FUND BALANCES	23,727	(1,929)	(4,851)	16,947
FUND BALANCES - BEGINNING	486,693	124,679	44,270	655,642
FUND BALANCES - ENDING	$ 510,420	$ 122,750	$ 39,419	$ 672,589

See notes to financial statements

Township of Pierson

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds* (Continued)

Year ended March 31, 2008

	Total governmental funds
Net change in fund balances - total governmental funds	$ 16,947
Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:	
Capital assets:	
Assets acquired	101,356
Provision for depreciation	(8,990)
Change in net assets of *governmental activities*	$ 109,313

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Pierson, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:
The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) 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 Township. The effect of inter-fund activity has been removed from these statements.

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

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

c) 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. 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 revenues 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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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 only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Big Whitefish Lake Fund accounts for the proceeds of specific revenue sources that are legally restricted for expenditures for public works purposes. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

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 Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than $1,000 ($10,000 for infrastructure assets) 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 10 years
Shared road costs	15 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

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

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The Township had the following significant budget variances:

Fund	*Function*	*Activity*	*Budget*	*Actual*	*Variance*
General	General government	Administration	$ 35,110	$ 37,504	$ (2,394)
	Capital outlay	Capital outlay	2,200	4,390	(2,190)

NOTE 3 - CASH:

Deposits with financial institutions:
The cash balances of the Township's governmental activities, which consist entirely of deposits with financial institutions, amount to $607,373 at year end. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2008, $517,844 of the Township's bank balances of $617,844 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

At March 31, 2008, the Township's receivables are as follows:

Fund	*Property taxes*	*Accounts*	*Assessments*	*govern-mental*	*Totals*
General	$ 7,373	$ 36,461	$ -	$ 28,805	$ 72,639
Big Whitefish Lake	-	-	1,050	-	1,050
Nonmajor governmental	-	-	1,500	-	1,500
Totals	$ 7,373	$ 36,461	$ 2,550	$ 28,805	$ 75,189

All receivables are current and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets not being depreciated - land	$ 12,947	$ -	$ -	$ 12,947
Capital assets being depreciated:				
Buildings and improvements	67,200	-	-	67,200
Shared road costs	-	99,177	-	99,177
Equipment	9,300	2,179	-	11,479
Subtotal	76,500	101,356	-	177,856
Less accumulated depreciation for:				
Buildings and improvements	(47,040)	(1,344)	-	(48,384)
Shared road costs	-	(6,612)	-	(6,612)
Equipment	(4,740)	(1,034)	-	(5,774)
Subtotal	(51,780)	(8,990)	-	(60,770)
Total capital assets being depreciated, net	24,720	92,366	-	117,086
Governmental activities capital assets, net	$ 37,667	$ 92,366	$ -	$ 130,033

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	$ 2,378
Public works	6,612
Total	$ 8,990

NOTE 6 - 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 has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2008 that resulted in a restatement of net assets. Net assets as of April 1, 2007, included in the government-wide financial statements, represents a restated balance as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	Governmental activities
Beginning of year, as previously reported	$ 673,399
Prior period adjustment:	
Understatement of receivables	29,944
Understatement of payables	(10,034)
Beginning of year, as restated	$ 693,309

Prior period adjustments have been recorded in 2008 that resulted in a restatement of fund equity. Fund equity as of April 1, 2007, included in the fund statements, represents a restated balance as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	General Fund
Beginning of year, as previously reported	$ 466,783
Prior period adjustments:	
Understatement of receivables	29,944
Understatement of long-term obligations	(10,034)
Beginning of year, as restated	$ 486,693

REQUIRED SUPPLEMENTARY INFORMATION

Township of Pierson

BUDGETARY COMPARISON SCHEDULE - *General Fund*

Year ended March 31, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Property taxes	$ 96,000	$ 96,000	$ 92,236	$ (3,764)
Licenses and permits	6,500	6,500	3,393	(3,107)
State grants	180,000	180,000	189,142	9,142
Charges for services	9,000	9,000	5,452	(3,548)
Interest and rentals	92,000	92,000	102,000	10,000
Other	1,300	1,300	3,051	1,751
Total revenues	384,800	384,800	395,274	10,474
EXPENDITURES				
Legislative	4,150	4,150	4,150	-
General government:				
Supervisor	17,000	17,000	14,380	2,620
Elections	5,000	5,000	2,140	2,860
Assessor	36,000	36,000	32,985	3,015
Clerk	22,000	22,000	21,760	240
Board of review	2,360	2,360	2,133	227
Treasurer	24,532	24,532	24,100	432
Hall and grounds	11,300	11,300	10,063	1,237
Cemetery	13,076	13,076	12,276	800
Other	35,110	35,110	37,504	(2,394)
Total general government	166,378	166,378	157,341	9,037
Public safety - fire protection	50,000	50,000	49,973	27
Public works:				
Drains	1,000	1,000	30	970
Road improvements	141,040	141,040	141,040	-
Street lighting	1,000	1,000	854	146
Total public works	143,040	143,040	141,924	1,116

Township of Pierson
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended March 31, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	$ 19,032	$ 19,032	$ 13,769	$ 5,263
Capital outlay	2,200	2,200	4,390	(2,190)
Total expenditures	384,800	384,800	371,547	13,253
NET CHANGE IN FUND BALANCES	-	-	23,727	23,727
FUND BALANCES - BEGINNING	486,693	486,693	486,693	-
FUND BALANCES - ENDING	$ 486,693	$ 486,693	$ 510,420	$ 23,727

Township of Pierson

BUDGETARY COMPARISON SCHEDULE - *Big Whitefish Lake Fund*

Year ended March 31, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Interest	$ -	$ -	$ 4,952	$ 4,952
Other:				
Special assessments	33,300	33,300	33,300	-
Miscellaneous	-	-	1,103	1,103
Total revenues	33,300	33,300	39,355	6,055
EXPENDITURES				
Public works	75,000	75,000	41,284	33,716
NET CHANGE IN FUND BALANCES	(41,700)	(41,700)	(1,929)	39,771
FUND BALANCES - BEGINNING	124,679	124,679	124,679	-
FUND BALANCES - ENDING	$ 82,979	$ 82,979	$ 122,750	$ 39,771

SUPPLEMENTARY INFORMATION

Township of Pierson

COMBINING BALANCE SHEET - *nonmajor governmental funds*

March 31, 2008

	Little Whitefish Lake	*Cemetery*	*Total nonmajor governmental funds*
ASSETS			
Cash	$ 19,252	$ 18,667	$ 37,919
Receivables	1,500	-	1,500
Total assets	$ 20,752	$ 18,667	$ 39,419
LIABILITIES AND FUND BALANCES			
Fund balances - unreserved	$ 20,752	$ 18,667	$ 39,419

Township of Pierson

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *nonmajor governmental funds*

Year ended March 31, 2008

	Little Whitefish Lake	*Cemetery*	*Total nonmajor governmental funds*
REVENUES			
Charges for services	$ -	$ 1,049	$ 1,049
Interest	288	751	1,039
Other:			
Special assessments	18,450	-	18,450
Miscellaneous	1,447	-	1,447
Total revenues	20,185	1,800	21,985
EXPENDITURES			
Public works	26,836	-	26,836
NET CHANGE IN FUND BALANCES	(6,651)	1,800	(4,851)
FUND BALANCES - BEGINNING	27,403	16,867	44,270
FUND BALANCES - ENDING	$ 20,752	$ 18,667	$ 39,419

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September 19, 2008

Members of the Township Board
Township of Pierson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pierson for the year ended March 31, 2008, and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Pierson are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Pierson during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

50th ANNIVERSARY
1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Township of Pierson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Pierson as of and for the year ended March 31, 2008, 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. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in 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 deficiencies in internal control that we consider to be material weaknesses.

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 believe that the following deficiencies constitute material weaknesses.

- The Township's accounting records were incomplete as general ledgers were not maintained for all the Township's funds. This is a recurring comment.
- Cash balances were not reconciled to their respective general ledger control accounts in a timely manner. This is a recurring comment.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, identification of major funds, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

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

Siegfried Crandell P.C.