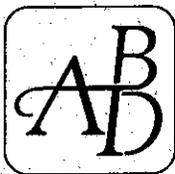


**TOWNSHIP OF ELKLAND,
TUSCOLA COUNTY
Cass City, Michigan**

**Report of Financial Statements
(With Required Supplementary and Additional Information)
March 31, 2009**

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May 14, 2009

INDEPENDENT AUDITOR'S REPORT

Township of Elkland
Tuscola County
Cass City, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Elkland as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Elkland management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Elkland as of March 31, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis budgetary comparison information on pages i through v and 13 through 16 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 primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Elkland's basic financial statements. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Elkland Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

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Township of Elkland

Management's Discussion and Analysis

For Fiscal Year Ended March 31, 2009

As management of the Township of Elkland, we offer readers of the Township of Elkland's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2009.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$780,307 (net assets). Of this amount, approximately \$430,768 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$13,920.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$411,768, a decrease of \$92,805.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$319,812 or over 100 percent of one year's total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development, culture and recreational, and other functions.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Township of Elkland

Management's Discussion and Analysis

For Fiscal Year Ended March 31, 2009

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, cemetery fund, fire fund and perpetual care fund which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund, cemetery fund, and the fire fund in the required supplementary information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 7 through 12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's general fund and special revenue budget. Required supplementary information can be found on pages 13 through 16 of this report.

The Fiduciary fund statement can be found on page 17 of this report.

Township of Elkland
 Management's Discussion and Analysis
 For Fiscal Year Ended March 31, 2009

Government-wide Financial analysis. As noted earlier, net assets may serve over time as a useful indicator of government's financial position. A portion of the Township's net assets (43 percent) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the Township does not have any outstanding debt.

Township of Elkland's Net Assets

	<u>Governmental activities March 31, 2009</u>	<u>Governmental activities March 31, 2008</u>
Current and other assets	\$ 457,844	\$ 527,721
Capital assets	<u>349,539</u>	<u>246,814</u>
Total assets	<u>807,383</u>	<u>774,535</u>
 Current liabilities	 <u>27,076</u>	 <u>8,148</u>
 Net assets:		
Invested in capital assets	349,539	246,814
Unrestricted	<u>430,768</u>	<u>519,573</u>
Total net assets	<u>\$ 780,307</u>	<u>\$ 766,387</u>

The remaining balance of unrestricted net assets (\$430,768) may be used to meet the government's ongoing obligations to citizens and creditors.

At end of the current fiscal year, the Township is able to report positive balances.

Township of Elkland
Management's Discussion and Analysis
For Fiscal Year Ended March 31, 2009

Governmental activities. This is a recap of the statement of activities:

Township of Elkland's Changes in Net Assets

	<u>Governmental activities March 31, 2009</u>	<u>Governmental activities March 31, 2008</u>
Revenues		
Program revenues		
Charges for services	\$ 41,655	\$ 52,322
General revenues		
Property taxes		
Levied for general purposes	181,986	190,911
State sources	113,031	111,770
Investment earnings	7,053	14,035
Other	<u>7,434</u>	<u>2,745</u>
Total revenues	<u>351,159</u>	<u>371,783</u>
Expenses		
General government	92,391	86,470
Public safety	87,756	83,796
Public works	25,367	73,458
Recreation and culture	2,000	2,000
Cemetery operations	72,660	72,744
Other functions	21,617	26,342
Depreciation	<u>35,448</u>	<u>32,744</u>
Total expenses	<u>337,239</u>	<u>377,554</u>
Increase in net assets	<u>13,920</u>	<u>(5,771)</u>
Net assets, beginning of year	<u>766,387</u>	<u>772,158</u>
Net assets, end of year	<u>\$ 780,307</u>	<u>\$ 766,387</u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Township of Elkland
 Management's Discussion and Analysis
 For Fiscal Year Ended March 31, 2009

General Fund Budgetary Highlights

The final amended budget was unchanged from the original budget. During the year, budgetary estimates for expenditures were less than actually incurred. The main reasons were that we transferred more than expected to other funds and we spent more on roads than budgeted.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2009, amounts to \$349,539 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, and equipment, and office equipment and furniture.

	Governmental activities <u>March 31, 2009</u>	Governmental activities <u>March 31, 2008</u>
Land	\$ 35,000	\$ 35,000
Buildings	110,391	22,069
Machinery and equipment	<u>204,148</u>	<u>189,745</u>
	<u>\$ 349,539</u>	<u>\$ 246,814</u>

Additional information on the Township's capital assets can be found in Note 3 on page 11 of this report.

Economic Factors and Next Year's Budgets and Rates

Township of Elkland goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township has a conservative and financially prudent budget for the fiscal year ending March 31, 2010 that also promotes numerous project objectives.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Township Clerk, 4693 N. Seeger St., Cass City, MI 48726.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Net Assets
March 31, 2009

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 191,521
Certificates of deposit	199,637
Receivables:	
Taxes	40,849
Other	1,400
Prepaid expenses	24,437
TOTAL CURRENT ASSETS	457,844
CAPITAL ASSETS	
Land	35,000
Capital assets, net of accumulated depreciation	314,539
TOTAL CAPITAL ASSETS	349,539
TOTAL ASSETS	\$ 807,383
LIABILITIES AND NET ASSETS	
LIABILITIES	
Bank overdrafts	\$ 27,076
TOTAL LIABILITIES	27,076
NET ASSETS	
Invested in capital assets	349,539
Unrestricted	430,768
TOTAL NET ASSETS	780,307
TOTAL LIABILITIES AND NET ASSETS	\$ 807,383

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Activities
March 31, 2009

Functions/programs	Expenses	Program revenues	Net (expense) revenue and changes in net assets
		Charges for services	Total governmental activities
Primary government			
Governmental activities			
Legislative	\$ 4,120	\$ -	\$ (4,120)
General government	88,271	765	(87,506)
Public safety	87,756	11,050	(76,706)
Public works	25,367	-	(25,367)
Recreation and culture	2,000	-	(2,000)
Cemetery operations	72,660	28,490	(44,170)
Other functions	21,617	1,350	(20,267)
Depreciation	35,448		(35,448)
Total governmental activities	\$ 337,239	\$ 41,655	\$ (295,584)
 General revenues			
Taxes			\$ 181,986
Intergovernmental			113,031
Investment income			7,053
Other revenues			7,434
Total general revenues			309,504
Changes in net assets			13,920
Net assets, beginning of year			766,387
Net assets, end of year			\$ 780,307

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Balance Sheet
Governmental Funds
March 31, 2009

		SPECIAL REVENUE		MAJOR PERMANENT FUND	
	GENERAL	CEMETERY FUND	FIRE FUND	PERPETUAL CARE	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash	\$ 137,758	-	-	\$ 53,763	\$ 191,521
Certificates of deposit	183,137	-	-	16,500	199,637
Receivables:					-
Accounts	-	-	-		-
Other	-	-	-	1,400	1,400
Due from other funds	-	-	\$ 20,000	5,700	25,700
Due from fiduciary funds	21,849	-	-	-	21,849
Prepaid expenses	2,768	\$ 6,250	15,419	-	24,437
TOTAL ASSETS	\$ 345,512	\$ 6,250	\$ 35,419	\$ 77,363	\$ 464,544
 <u>LIABILITIES & FUND EQUITY</u>					
Liabilities:					
Bank overdraft		\$ 2,179	\$ 24,897		\$ 27,076
Due to other funds	\$ 25,700	-	-	-	25,700
Total Liabilities	25,700	2,179	24,897	-	52,776
Fund Balance:					
Nonspendable	-	-	-	77,363	77,363
Unassigned	319,812	-	-	-	319,812
Restricted	-	4,071	10,522	-	14,593
Total Fund Balance	319,812	4,071	10,522	77,363	411,768
TOTAL LIABILITIES & FUND EQUITY	\$ 345,512	\$ 6,250	\$ 35,419	\$ 77,363	\$ 464,544
Total governmental fund balances				\$ 411,768	
Amounts reported for governmental activities in the statement of net assets are different because					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					
Cost of the capital assets			\$ 615,252		
Less accumulated depreciation			265,713	349,539	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					
Delinquent personal property taxes receivable, less allowance for doubtful accounts				19,000	
Net assets of governmental activities				\$ 780,307	

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2009

	GENERAL	SPECIAL REVENUE		MAJOR PERMANENT FUND	TOTAL GOVERNMENTAL FUNDS
		CEMETERY FUND	FIRE FUND	PERPETUAL CARE	
REVENUES:					
Taxes	\$ 177,986				\$ 177,986
License and permits	765				765
Intergovernmental	73,931		\$ 39,100		113,031
Charges for services		\$ 28,490		\$ 1,350	29,840
Donations			5,387		5,387
Investment income	6,571			482	7,053
Other revenues	1,789	258	-		2,047
Fire runs			11,050		11,050
TOTAL REVENUES	261,042	28,748	55,537	1,832	347,159
EXPENDITURES:					
Legislative	4,120				4,120
General government	91,467				91,467
Public safety	15,636		112,820		128,456
Public works	118,462				118,462
Recreation and culture	2,000				2,000
Cemetery operations		73,842			73,842
Other	21,617				21,617
TOTAL EXPENDITURES	253,302	73,842	112,820	-	439,964
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,740</u>	<u>(45,094)</u>	<u>(57,283)</u>	<u>1,832</u>	<u>(92,805)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in		45,000	60,000		105,000
Transfers out	(105,000)	-	-	-	(105,000)
TOTAL OTHER FINANCING SOURCES (USES)	(105,000)	45,000	60,000	-	-
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(97,260)</u>	<u>(94)</u>	<u>2,717</u>	<u>1,832</u>	<u>(92,805)</u>
FUND BALANCE - APRIL 1	<u>417,072</u>	<u>4,165</u>	<u>7,805</u>	<u>75,531</u>	<u>504,573</u>
FUND BALANCE - MARCH 31	<u>\$ 319,812</u>	<u>\$ 4,071</u>	<u>\$ 10,522</u>	<u>\$ 77,363</u>	<u>\$ 411,768</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended March 31, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (92,805)
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(35,448)
Capital outlay	138,242
Loss on disposal of fixed assets	(69)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.	
Accrued revenue beginning of the year - delinquent personal property tax	(15,000)
Accrued revenue end of the year - delinquent personal property tax	<u>19,000</u>
Change in net assets of governmental activities	<u><u>\$ 13,920</u></u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
March 31, 2009

	Current tax collection fund
<u>ASSETS</u>	
Cash	\$ 14,525
Taxes receivable	225,684
TOTAL ASSETS	\$ 240,209
<u>LIABILITIES</u>	
Due to State	\$ 10,768
Due to Tuscola County	49,693
Due to Cass City Schools	103,081
Due to Rawson Library	10,593
Due to general fund	21,849
Due to intermediate schools	41,849
Due to Owengage School	2,376
TOTAL LIABILITIES	\$ 240,209

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to Financial Statements

March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Township of Elkland, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,300 residents in many areas including public works, public safety, community enrichment and development and human services.

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

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Township of Elkland, Tuscola County include the accounts of all Township operations. The Township's major operations include planning and zoning, road maintenance, street lighting, cemetery, paramedic services, cultural and recreational services and general administrative services. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township.

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, special assessments and intergovernmental revenues.

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 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.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to Financial Statements

March 31, 2009

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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. However, debt service expenditures, are recorded only when payment is due.

Franchise fees, 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 year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current periods. Revenue items are considered to be measurable and available when cash is received by the government.

The government reports the following major governmental funds:

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

The *Cemetery Fund* is a special revenue fund. It is utilized to account for the charges for the cemetery.

The *Fire Fund* is a special revenue fund. It is utilized to account for the fire charges used to pay for fire protection throughout the township.

Permanent fund - The Township utilizes the *Perpetual Care Fund* to account for principal trust amounts received and related interest.

Also, the government reports as fiduciary funds, the tax collection fund (agency fund).

The *Agency Fund* is used to account for the Township's collection of taxes for other governmental units.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and the public safety millage. 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, the unrestricted resources, as they are needed.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to Financial Statements

March 31, 2009

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

D. ASSETS, LIABILITIES AND NET ASSETS

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. The Township's deposits and investments are in accordance with statutory authority.

State statutes authorize the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Receivables

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated 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.

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

Buildings	40-60 years
Office Equipment	5-7 years
Computer Equipment	3-7 years
Roads	50 years

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to Financial Statements
March 31, 2009

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

D. ASSETS, LIABILITIES AND NET ASSETS (Continued):

5. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

6. 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.

7. Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balances because they will be re-appropriated in the subsequent fiscal year.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to April 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to Financial Statements

March 31, 2009

NOTE 2 – LEGAL COMPLIANCE – BUDGETS (Continued):

7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
8. The General Fund, Cemetery Fund and the Fire Fund in several instances as detailed on pages 14-16 exceeded their line item budgeted expenditures by more than 10%. This is a violation of the PA 621 budget act.

NOTE 3 - CAPITAL ASSETS:

A summary of changes in capital assets follows:

	<u>BALANCE MARCH 31, 2008</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE MARCH 31, 2009</u>
Assets Not Being Depreciated:				
Land	\$ 35,000			\$ 35,000
Depreciable Assets				
Roads	-	\$ 93,095		93,095
Buildings	132,706	-		132,706
Machinery & Equipment	<u>310,265</u>	<u>48,593</u>	<u>\$ (4,407)</u>	<u>354,451</u>
Total Cost	477,971	141,688	(4,407)	615,252
Less: Accumulated Depreciation	<u>(231,157)</u>	<u>(35,448)</u>	<u>892</u>	<u>(265,713)</u>
Net Carrying Value	<u>\$ 246,814</u>	<u>\$ 106,240</u>	<u>\$ (3,515)</u>	<u>\$ 349,539</u>

NOTE 4 - CASH AND INVESTMENTS:

Cash and investments are held separately by each of the Township's funds.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio, or to meet liquidity needs.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's).

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk- deposits. In the case of deposits, there is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2009, \$226,956 of the Township's bank balance of \$422,644 was exposed to custodial credit risk. Certificate of deposits amounted to \$199,637 and are included in the above totals. The amount on the books is \$405,683.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counter party, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to Financial Statements
March 31, 2009

NOTE 4 - CASH AND INVESTMENTS (Continued):

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counter-part's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counter party, or by its trust department or its agent but not in the Township's name. At March 31, 2009, the Township had no Category 1, 2 or 3 investments. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2009 are composed of the following:

	CASH AND CASH EQUIVALENTS	INVESTMENTS	RESTRICTED ASSETS
General Fund:			
Deposits	\$ 320,895		
Other Funds:			
Deposits	84,788	NONE	NONE
TOTAL	\$ 405,683	NONE	NONE

NOTE 5 - DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at March 31, 2009 are as follows:

FUND	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ 21,849	\$ 25,700
Fire Fund	\$ 20,000	
Perpetual Care Fund	5,700	
Current Tax Collection Fund	-	21,849
TOTAL	\$ 47,549	\$ 47,549

NOTE 6 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date.

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. The Township did not have any losses in the three prior fiscal years.

NOTE 8 - TRANSFERS:

The general fund transferred \$45,000 to the cemetery fund during the current fiscal year. The transfer was to subsidize operating expenses. The general fund also transferred \$60,000 to the Fire Fund for equipment purchases.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended March 31, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Taxes:				
Current Property Taxes	\$ 145,000	\$ 145,000	\$ 156,485	\$ 11,485
Delinquent tax	12,000	12,000	-	(12,000)
Trailer park tax	3,000	3,000	2,289	(711)
Administrative fee	18,000	18,000	19,212	1,212
TOTAL TAXES	<u>178,000</u>	<u>178,000</u>	<u>177,986</u>	<u>(14)</u>
Licenses and Permits:				
Zoning permits	2,000	2,000	765	(1,235)
Intergovernmental Revenues:				
State Revenue Sharing - Metro	3,000	3,000	2,565	(435)
State Revenue Sharing	67,000	67,000	71,366	4,366
Total Intergovernmental Revenue	<u>70,000</u>	<u>70,000</u>	<u>73,931</u>	<u>3,931</u>
Investment Income:				
Interest income	5,000	5,000	6,571	1,571
Other Revenue:				
Miscellaneous income	300	300	1,789	1,489
TOTAL OPERATING REVENUE	<u>255,300</u>	<u>255,300</u>	<u>261,042</u>	<u>5,742</u>

(Continued)

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended March 31, 2009

EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Legislative:				
Township Board	\$ 4,120	\$ 4,120	\$ 4,120	\$ -
General Government:				
Township Supervisor	11,480	11,480	9,244	2,236
Assessor	16,100	16,100	13,352	2,748
Treasurer	27,300	27,300	24,570	2,730
Clerk	20,400	20,400	20,238	162
Board of Review	1,750	1,750	1,225	525
Elections	4,200	4,200	7,063	(2,863)
Zoning board	4,150	4,150	6,458	(2,308)
Building and grounds	5,800	5,800	4,822	978
Legal and accounting	6,500	6,500	4,495	2,005
TOTAL GENERAL GOVERNMENT	97,680	97,680	91,467	6,213
Public Safety:				
Ambulance Services	15,000	15,000	14,636	364
Drug enforcement	1,000	1,000	1,000	-
TOTAL PUBLIC SAFETY	16,000	16,000	15,636	364
Public Works:				
Road maintenance	71,580	71,580	18,288	53,292
Road construction	54,000	54,000	93,095	(39,095)
Road mowing	4,500	4,500	3,815	685
Drain at large	10,000	10,000	3,264	6,736
TOTAL PUBLIC WORKS	140,080	140,080	118,462	21,618
Recreation and Culture:				
Park	2,000	2,000	2,000	-
Other:				
Other intergovernmental	17,000	17,000	14,902	2,098
Insurance and bonds	4,200	4,200	298	3,902
Other general government	7,930	7,930	6,417	1,513
Fringe benefits	-	-	-	-
TOTAL OTHER EXPENSES	29,130	29,130	21,617	7,513
TOTAL EXPENDITURES	289,010	289,010	253,302	35,708
Operating transfer out:				
Fire fund	46,390	46,390	60,000	(13,610)
Cemetery fund	42,800	42,800	45,000	(2,200)
TOTAL EXPENDITURES & TRANSFERS OUT	\$ 378,200	\$ 378,200	358,302	\$ 19,898
EXCESS OF REVENUES OVER EXPENDITURES			(97,260)	
FUND BALANCE				
Beginning of year			417,072	
End of year			\$ 319,812	

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Cemetery Fund
 Special Revenue Fund
 For the Fiscal Year Ended March 31, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Charges for services:				
Sale of Lots	\$ 15,000	\$ 15,000	\$ 9,325	\$ (5,675)
Grave openings	22,000	22,000	15,650	(6,350)
Foundations	10,000	10,000	3,515	(6,485)
Annual care	100	100	-	(100)
Total Charges for Services	<u>47,100</u>	<u>47,100</u>	28,490	(18,610)
Miscellaneous income	<u>800</u>	<u>800</u>	258	(542)
TOTAL REVENUES	<u>47,900</u>	<u>47,900</u>	<u>28,748</u>	<u>(19,152)</u>
EXPENDITURES:				
Sexton's salary	25,500	25,500	25,500	-
Outside labor	30,000	30,000	19,707	10,293
Backhoe work	7,000	7,000	4,430	2,570
Taxes – FICA	2,000	2,000	1,951	49
Materials	3,000	3,000	2,125	875
Repairs	6,000	6,000	3,194	2,806
Supplies	3,500	3,500	3,189	311
Telephone	700	700	753	(53)
Gas & Oil	2,500	2,500	2,642	(142)
Miscellaneous	500	500	6	494
Utilities	1,500	1,500	1,241	259
Insurance	7,000	7,000	7,000	-
Lots	500	500	210	290
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>1,894</u>	<u>2,106</u>
TOTAL EXPENDITURES	<u>93,700</u>	<u>93,700</u>	<u>73,842</u>	<u>19,858</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(45,800)</u>	<u>(45,800)</u>	<u>(45,094)</u>	<u>706</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>42,800</u>	<u>42,800</u>	<u>45,000</u>	<u>2,200</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,800</u>	<u>42,800</u>	<u>45,000</u>	<u>2,200</u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(3,000)</u>	<u>(3,000)</u>	<u>(94)</u>	<u>2,906</u>
FUND BALANCE - APRIL 1	<u>4,165</u>	<u>4,165</u>	<u>4,165</u>	
FUND BALANCE - MARCH 31	<u>\$ 1,165</u>	<u>\$ 1,165</u>	<u>\$ 4,071</u>	<u>\$ 2,906</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
Special Revenue Fund
For the Fiscal Year Ended March 31, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Intergovernmental:				
Local Units	\$ 39,100	\$ 39,100	\$ 39,100	\$ -
Donations	500	500	5,387	4,887
Miscellaneous	3,500	3,500	-	(3,500)
Fire runs	<u>15,000</u>	<u>15,000</u>	<u>11,050</u>	<u>(3,950)</u>
TOTAL REVENUES	<u>58,100</u>	<u>58,100</u>	<u>55,537</u>	<u>(2,563)</u>
EXPENDITURES:				
Salaries	30,570	30,570	21,750	8,820
Insurance	15,000	15,000	15,623	(623)
Telephone	1,500	1,500	1,277	223
Gas & Oil	4,000	4,000	2,558	1,442
Truck repairs	12,000	12,000	11,889	111
Training & Education	3,300	3,300	3,459	(159)
Supplies	3,500	3,500	1,626	1,874
Dues	500	500	125	375
Miscellaneous	500	500	119	381
Utilities	10,000	10,000	7,487	2,513
Repairs – Electronics	500	500	110	390
Repairs – Building	4,000	4,000	2,349	1,651
FICA Expense	620	620	617	3
Capital outlay	20,000	20,000	43,738	(23,738)
Legal fees	<u>2,000</u>	<u>2,000</u>	<u>93</u>	<u>1,907</u>
TOTAL EXPENDITURES	<u>107,990</u>	<u>107,990</u>	<u>112,820</u>	<u>(4,830)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,890)</u>	<u>(49,890)</u>	<u>(57,283)</u>	<u>(7,393)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	46,390	46,390	60,000	13,610
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(3,500)</u>	<u>(3,500)</u>	<u>2,717</u>	<u>6,217</u>
FUND BALANCE - APRIL 1	<u>7,805</u>	<u>7,805</u>	<u>7,805</u>	
FUND BALANCE - MARCH 31	<u>\$ 4,305</u>	<u>\$ 4,305</u>	<u>\$ 10,522</u>	<u>\$ 6,217</u>

See the accompanying notes.

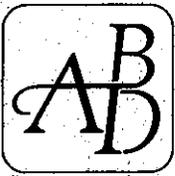
ADDITIONAL INFORMATION

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Agency Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended March 31, 2009

CURRENT TAX COLLECTION FUND

	BALANCE MARCH 31, 2008	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2009
<u>ASSETS</u>				
Cash	\$ 36,959	\$ -	\$ 22,434	\$ 14,525
Taxes Receivable	188,006	1,946,326	1,908,648	225,684
TOTAL ASSETS	\$ 224,965	\$ 1,946,326	\$ 1,931,082	\$ 240,209
<u>LIABILITIES</u>				
Due to State	\$ 33,639	\$ 47,035	\$ 24,164	\$ 10,768
Due to Tuscola County	38,229	434,709	446,173	49,693
Due to Cass City Schools	91,296	779,987	791,772	103,081
Due to Rawson Library	8,866	102,368	104,095	10,593
Due to General Fund	18,418	148,102	151,533	21,849
Due to Intermediate Schools	34,517	397,706	405,038	41,849
Due to Owengage School	-	21,175	23,551	2,376
TOTAL LIABILITIES	\$ 224,965	\$ 1,931,082	\$ 1,946,326	\$ 240,209

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel
.....
Robert L. Tuckey, CPA

May 14, 2009

To the Members of the Board
Elkland Township

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Elkland Township for the year ended March 31, 2009. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 3, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

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 Elkland Township 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 the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management in our letter dated May 14, 2009.

Disagreements with Management

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

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Members of the Board
May 14, 2009
Page two

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

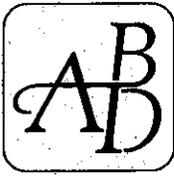
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

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

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Timothy Franzel

May 14, 2009

Robert L. Tuckey, CPA

To the Board of Elkland Township:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Elkland Township as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Elkland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elkland Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elkland Township's internal control.

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 a 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:

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.

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.

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the Township segregate duties whenever possible.

Financial Statements

After considering the qualifications of the accounting personnel of the Township of Elkland, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Township, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Compliance with Budgets

The Township exceeded their budgeted amounts in several instances. This is a PA 621 violation. We recommend that the Township amend its budget periodically to insure compliance with the budgeting laws.

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Members of the Board
May 14, 2009

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

We appreciate the opportunity to be of service to the Township of Elkland and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants