

Township of Buchanan
Berrien County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2009

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Buchanan, 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 Buchanan, Michigan, as of March 31, 2009, 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 of Buchanan, Michigan'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 Buchanan, Michigan, as of March 31, 2009, 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 Buchanan, 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.

Board of Trustees
Township of Buchanan, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Buchanan, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

September 14, 2009

BASIC FINANCIAL STATEMENTS

Township of Buchanan
STATEMENT OF NET ASSETS
March 31, 2009

| | <u>Governmental activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash | \$ 1,287,041 |
| Receivables, net | 101,239 |
| Prepaid expenses | <u>11,013</u> |
| Total current assets | <u>1,399,293</u> |
| Noncurrent assets: | |
| Receivables, net | 112,802 |
| Capital assets not being depreciated - land | 124,188 |
| Capital assets, net of accumulated depreciation | <u>1,065,003</u> |
| Total noncurrent assets | <u>1,301,993</u> |
| Total assets | <u>2,701,286</u> |
| LIABILITIES | |
| Current liabilities: | |
| Payables | 97,572 |
| Current maturities of long-term debt | <u>80,000</u> |
| Total current liabilities | 177,572 |
| Noncurrent liabilities - long-term debt | <u>225,000</u> |
| Total liabilities | <u>402,572</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 884,191 |
| Restricted for: | |
| Public safety | 252,027 |
| Public works | 14,070 |
| Recreation and culture | 82,016 |
| Debt service | 296,162 |
| Unrestricted | <u>770,248</u> |
| Total net assets | <u>\$ 2,298,714</u> |

See notes to financial statements

Township of Buchanan
STATEMENT OF ACTIVITIES

Year ended March 31, 2009

| | <u>Program revenues</u> | | | <i>Net (expenses) revenues and change in net assets</i> |
|---------------------------------------|-------------------------|---------------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for services</u> | <u>Operating grants and contributions</u> | <u>Governmental activities</u> |
| Functions /Programs | | | | |
| Governmental activities: | | | | |
| Legislative | \$ 5,862 | \$ - | \$ - | \$ (5,862) |
| General government | 234,923 | 51,521 | - | (183,402) |
| Public safety | 212,277 | 49,992 | - | (162,285) |
| Public works | 81,453 | 5,543 | 4,766 | (71,144) |
| Community and economic development | 6,032 | 2,470 | - | (3,562) |
| Recreation and culture | 1,658 | - | - | (1,658) |
| Interest on long-term debt | <u>17,886</u> | <u>9,144</u> | <u>-</u> | <u>(8,742)</u> |
| Total governmental activities | <u>\$ 560,091</u> | <u>\$ 118,670</u> | <u>\$ 4,766</u> | <u>(436,655)</u> |
| General revenues: | | | | |
| Taxes | | | | 228,537 |
| State grants | | | | 240,031 |
| Franchise fees | | | | 17,459 |
| Investment income | | | | 28,752 |
| Other | | | | <u>1,460</u> |
| Total general revenues | | | | <u>516,239</u> |
| Change in net assets | | | | 79,584 |
| Net assets - beginning | | | | <u>2,219,130</u> |
| Net assets - ending | | | | <u>\$ 2,298,714</u> |

See notes to financial statements

Township of Buchanan
BALANCE SHEET - governmental funds
 March 31, 2009

| | <u>General</u> | <u>Fire</u> | <u>Sewer Debt Service</u> | <u>Other governmental funds</u> | <u>Totals</u> |
|---|-------------------|-------------------|-----------------------------------|---|---------------------|
| ASSETS | | | | | |
| Cash | \$ 762,314 | \$ 232,949 | \$ 195,692 | \$ 96,086 | \$ 1,287,041 |
| Receivables | <u>64,280</u> | <u>8,788</u> | <u>140,973</u> | <u>-</u> | <u>214,041</u> |
| Total assets | <u>\$ 826,594</u> | <u>\$ 241,737</u> | <u>\$ 336,665</u> | <u>\$ 96,086</u> | <u>\$ 1,501,082</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 37,531 | \$ 19,538 | \$ 33,257 | \$ - | \$ 90,326 |
| Deferred revenue | <u>-</u> | <u>-</u> | <u>135,362</u> | <u>-</u> | <u>135,362</u> |
| Total liabilities | <u>37,531</u> | <u>19,538</u> | <u>168,619</u> | <u>-</u> | <u>225,688</u> |
| Fund balances: | | | | | |
| Reserved for building inspections | 29,828 | - | - | - | 29,828 |
| Unreserved | 759,235 | 222,199 | 168,046 | - | 1,149,480 |
| Unreserved, reported in nonmajor - special revenue funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>96,086</u> | <u>96,086</u> |
| Total fund balances | <u>789,063</u> | <u>222,199</u> | <u>168,046</u> | <u>96,086</u> | <u>1,275,394</u> |
| Total liabilities and fund balances | <u>\$ 826,594</u> | <u>\$ 241,737</u> | <u>\$ 336,665</u> | <u>\$ 96,086</u> | <u>\$ 1,501,082</u> |
| Total fund balance - governmental funds | | | | | \$ 1,275,394 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because: | | | | | |
| Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds. | | | | | 1,189,191 |
| Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. | | | | | 11,013 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | | | 135,362 |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | | | | | (7,246) |
| Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | | <u>(305,000)</u> |
| Net assets of <i>governmental activities</i> | | | | | <u>\$ 2,298,714</u> |

See notes to financial statements

Township of Buchanan

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

Year ended March 31, 2009

| | <u>General</u> | <u>Fire</u> | <u>Sewer Debt Service</u> |
|-------------------------------------|-------------------|-------------------|-----------------------------------|
| REVENUES | | | |
| Taxes | \$ 131,582 | \$ 131,627 | \$ - |
| Licenses and permits | 66,946 | - | - |
| Intergovernmental | - | - | - |
| State grants | 244,797 | - | - |
| Charges for services | 14,151 | - | - |
| Interest and rentals | 24,890 | 2,233 | 13,789 |
| Other | 5,143 | 565 | 25,359 |
| | <u>487,509</u> | <u>134,425</u> | <u>39,148</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Legislative | 5,862 | - | - |
| General government | 220,704 | - | - |
| Public safety | 49,355 | 90,108 | - |
| Public works | 81,273 | - | - |
| Community and economic development | 6,032 | - | - |
| Capital outlay | 5,557 | 7,503 | - |
| Debt service: | | | |
| Principal | 45,000 | - | - |
| Interest | 4,936 | - | 7,765 |
| | <u>418,719</u> | <u>97,611</u> | <u>7,765</u> |
| Total expenditures | | | |
| NET CHANGES IN FUND BALANCES | 68,790 | 36,814 | 31,383 |
| FUND BALANCES - BEGINNING | <u>720,273</u> | <u>185,385</u> | <u>136,663</u> |
| FUND BALANCES - ENDING | <u>\$ 789,063</u> | <u>\$ 222,199</u> | <u>\$ 168,046</u> |

| <u>Other governmental funds</u> | <u>Totals governmental funds</u> |
|---|--|
| \$ - | \$ 263,209 |
| - | 66,946 |
| 1,276 | 1,276 |
| - | 244,797 |
| - | 14,151 |
| 2,676 | 43,588 |
| - | 31,067 |
| 3,952 | 665,034 |
| - | 5,862 |
| - | 220,704 |
| - | 139,463 |
| 180 | 81,453 |
| - | 6,032 |
| - | 13,060 |
| - | 45,000 |
| - | 12,701 |
| 180 | 524,275 |
| 3,772 | 140,759 |
| 92,314 | 1,134,635 |
| \$ 96,086 | \$ 1,275,394 |

See notes to financial statements

Township of Buchanan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended March 31, 2009

Net change in fund balances - total governmental funds \$ 140,759

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

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

| | |
|-------------------------------------|----------|
| Add - capital asset acquisitions | 7,019 |
| Deduct - provision for depreciation | (78,826) |
| Deduct - basis of disposed asset | (958) |

| | |
|--|---------|
| Changes in other assets - net decrease in prepaid expenses | (2,866) |
|--|---------|

| | |
|-------------------------------------|--------|
| Long-term debt - principal payments | 45,000 |
|-------------------------------------|--------|

Changes in other liabilities:

| | |
|----------------------------------|----------|
| Net increase in accrued interest | (5,185) |
| Net decrease in deferred revenue | (25,359) |

| | |
|--|------------------|
| Change in net assets of <i>governmental activities</i> | <u>\$ 79,584</u> |
|--|------------------|

Township of Buchanan
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2009

ASSETS

Cash \$ 26,087

LIABILITIES

Due to other governmental units \$ 13,969

Due to others 1,674

Escrow deposits 10,444

Total liabilities \$ 26,087

See notes to financial statements

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Buchanan, 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 changes in net assets) 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 and fiduciary funds, even though the latter are excluded from government-wide financial statements. 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, 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 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.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

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

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

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. 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 period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government'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 Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

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 reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

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

i) Bank deposits - Cash and cash equivalents are 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. Pooled interest income is proportionately allocated to all funds.

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

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), 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:

| | |
|----------------------------|---------------|
| Land improvements | 20 - 40 years |
| Buildings and improvements | 20 - 40 years |
| Equipment | 3 - 5 years |
| Vehicles | 10 - 20 years |
| Shared road costs | 20 years |

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources 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.

vi) *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.

vii) *Special assessment recognition* - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

viii) *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 department. 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.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

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

The following schedule sets forth significant budget variations:

| <u>Fund</u> | <u>Function</u> | <u>Activity</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|--------------------|-----------------|---------------------------|---------------|-----------------|
| General | General government | Elections | \$ 4,896 | \$ 8,602 | \$ (3,706) |
| | Public works | Drains | 3,300 | 10,778 | (7,478) |

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements, consists of the following:

| | <u>Governmental activities</u> | <u>Fiduciary</u> | <u>Totals</u> |
|--------------|------------------------------------|------------------|---------------------|
| Deposits | \$ 1,286,786 | \$ 26,087 | \$ 1,312,873 |
| Cash on hand | 255 | - | 255 |
| | <u>\$ 1,287,041</u> | <u>\$ 26,087</u> | <u>\$ 1,313,128</u> |

State statutes 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. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a 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 federal depository insurance and are uncollateralized. At March 31, 2009, \$895,439 of the Township's bank balances of \$1,545,578 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of March 31, 2009, for the Township's individual major funds, are as follows:

| <u>Fund</u> | <u>Accounts</u> | <u>Property taxes</u> | <u>Special assessments</u> | <u>Inter-governmental</u> | <u>Customer deposits</u> | <u>Totals</u> |
|--------------------|-----------------|-----------------------|----------------------------|---------------------------|--------------------------|-------------------|
| General | \$ 4,403 | \$ 7,993 | \$ - | \$ 44,471 | \$ 7,413 | \$ 64,280 |
| Fire | - | 8,788 | - | - | - | 8,788 |
| Sewer Debt Service | - | - | 140,973 | - | - | 140,973 |
| Totals | <u>\$ 4,403</u> | <u>\$ 16,781</u> | <u>\$ 140,973</u> | <u>\$ 44,471</u> | <u>\$ 7,413</u> | <u>\$ 214,041</u> |
| Noncurrent portion | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 112,802</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 112,802</u> |

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2009, was as follows:

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|---|--------------------------|--------------------|------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated - land | \$ 124,188 | \$ - | \$ - | \$ 124,188 |
| Capital assets being depreciated: | | | | |
| Land improvements | 56,270 | - | - | 56,270 |
| Buildings and improvements | 787,955 | - | (1,264) | 786,691 |
| Equipment | 258,587 | 7,019 | (3,055) | 262,551 |
| Vehicles | 771,429 | - | - | 771,429 |
| Subtotal | <u>1,874,241</u> | <u>7,019</u> | <u>(4,319)</u> | <u>1,876,941</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (5,779) | (1,655) | - | (7,434) |
| Buildings and improvements | (176,337) | (19,310) | 405 | (195,242) |
| Equipment | (197,576) | (21,198) | 2,956 | (215,818) |
| Vehicles | (356,781) | (36,663) | - | (393,444) |
| Subtotal | <u>(736,473)</u> | <u>(78,826)</u> | <u>3,361</u> | <u>(811,938)</u> |
| Total capital assets being depreciated, net | <u>1,137,768</u> | <u>(71,807)</u> | <u>(958)</u> | <u>1,065,003</u> |
| Governmental activities capital assets, net | <u>\$ 1,261,956</u> | <u>\$ (71,807)</u> | <u>\$ (958)</u> | <u>\$ 1,189,191</u> |

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

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

| | |
|-------------------------------|------------------|
| Governmental activities: | |
| General government | \$ 10,395 |
| Public safety | 66,773 |
| Recreation and culture | <u>1,658</u> |
| Total governmental activities | <u>\$ 78,826</u> |

NOTE 6 - PAYABLES:

Payables as of March 31, 2009, for the government's individual major funds are as follows:

| <u>Fund</u> | <u>Accounts</u> | <u>Payroll</u> | <u>Escrow</u> | <u>Inter- govern- mental</u> | <u>Totals</u> |
|-------------|------------------|------------------|------------------|--------------------------------------|------------------|
| General | \$ 4,705 | \$ 15,018 | \$ 5,204 | \$ 12,604 | \$ 37,531 |
| Fire | 12,015 | 7,523 | - | - | 19,538 |
| Sewer Debt | <u>-</u> | <u>-</u> | <u>33,212</u> | <u>45</u> | <u>33,257</u> |
| Totals | <u>\$ 16,720</u> | <u>\$ 22,541</u> | <u>\$ 38,416</u> | <u>\$ 12,649</u> | <u>\$ 90,326</u> |

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2009, deferred revenues are comprised of special assessments not considered to be available to match current expenditures.

NOTE 8 - LONG-TERM DEBT:

Long-term debt at March 31, 2009, is comprised of the following issues:

| | |
|--|-------------------|
| Note payable: | |
| \$380,000 Note payable - mortgage for construction of new fire station, due in annual installments of \$30,000 to \$45,000 through November 2009; plus interest at 5.36%, payable bi-annually in April and November | \$ 45,000 |
| Contract payable: | |
| \$715,000 1996 Limited tax general obligation sanitary sewer disposal and water distribution system serial bonds, due in annual installments of \$35,000 to \$50,000 through May 2015; plus interest at 5.0% to 5.8% | <u>260,000</u> |
| Total long-term debt | <u>\$ 305,000</u> |

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

All debt is secured by the full faith and credit of the Township. Long-term liability activity for the year ended March 31, 2009, was as follows:

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Amounts due within one year</u> |
|----------------------------|------------------------------|------------------|--------------------|---------------------------|--|
| \$380,000 Note payable | \$ 90,000 | \$ - | \$ (45,000) | \$ 45,000 | \$ 45,000 |
| \$715,000 Contract payable | <u>260,000</u> | <u>-</u> | <u>-</u> | <u>260,000</u> | <u>35,000</u> |
| Total notes and contracts | <u>\$ 350,000</u> | <u>\$ -</u> | <u>\$ (45,000)</u> | <u>\$ 305,000</u> | <u>\$ 80,000</u> |

Debt service requirements at March 31, 2009, were as follows:

| <u>Year ended March 31:</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|-------------------|------------------|
| 2010 | 80,000 | 16,511 |
| 2011 | 35,000 | 12,035 |
| 2012 | 35,000 | 10,005 |
| 2013 | 35,000 | 7,975 |
| 2014 | 35,000 | 5,945 |
| 2015 - 2016 | <u>85,000</u> | <u>5,365</u> |
| Totals | <u>\$ 305,000</u> | <u>\$ 57,836</u> |

NOTE 9 - PENSION PLAN:

The Township provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$6,764 for the year ended March 31, 2009.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - 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.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2009, is as follows:

| | |
|--|------------------|
| Revenues | \$ 49,487 |
| Expenses | <u>49,355</u> |
| Excess of revenues over expenses | <u>\$ 132</u> |
| Cumulative excess, included in fund balance reservation of General Fund | <u>\$ 29,828</u> |

REQUIRED SUPPLEMENTARY INFORMATION

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2009

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|---|----------------------------|---------------------------|----------------|---|
| REVENUES | | | | |
| Taxes | \$ 146,727 | \$ 146,727 | \$ 131,582 | \$ (15,145) |
| Licenses and permits | 75,160 | 75,160 | 66,946 | (8,214) |
| State grants | 241,356 | 241,356 | 244,797 | 3,441 |
| Charges for services | 13,698 | 13,698 | 14,151 | 453 |
| Interest and rentals | 38,800 | 38,800 | 24,890 | (13,910) |
| Other | 805 | 805 | 5,143 | 4,338 |
| Total revenues | <u>516,546</u> | <u>516,546</u> | <u>487,509</u> | <u>(29,037)</u> |
| EXPENDITURES | | | | |
| Legislative | <u>6,207</u> | <u>6,207</u> | <u>5,862</u> | <u>345</u> |
| General government: | | | | |
| Supervisor | 21,905 | 21,905 | 20,897 | 1,008 |
| Elections | 4,896 | 4,896 | 8,602 | (3,706) |
| Assessor | 35,662 | 35,662 | 34,430 | 1,232 |
| Clerk | 40,322 | 40,322 | 34,518 | 5,804 |
| Board of review | 1,230 | 1,230 | 1,317 | (87) |
| Treasurer | 54,192 | 54,192 | 50,046 | 4,146 |
| Building and grounds | 35,954 | 35,954 | 36,880 | (926) |
| Other | <u>47,200</u> | <u>47,200</u> | <u>34,014</u> | <u>13,186</u> |
| Total general government | <u>241,361</u> | <u>241,361</u> | <u>220,704</u> | <u>20,657</u> |
| Public safety - building inspections | <u>62,303</u> | <u>62,303</u> | <u>49,355</u> | <u>12,948</u> |
| Public works: | | | | |
| Highways and streets | 122,568 | 122,568 | 70,495 | 52,073 |
| Drains | <u>3,300</u> | <u>3,300</u> | <u>10,778</u> | <u>(7,478)</u> |
| Total public works | <u>125,868</u> | <u>125,868</u> | <u>81,273</u> | <u>44,595</u> |
| Community and economic development - planning and zoning | <u>23,857</u> | <u>23,857</u> | <u>6,032</u> | <u>17,825</u> |
| Capital outlay | <u>6,950</u> | <u>6,950</u> | <u>5,557</u> | <u>1,393</u> |

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2009

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|-------------------------------------|----------------------------|---------------------------|-------------------|---|
| EXPENDITURES (Continued) | | | | |
| Debt service: | | | | |
| Principal | \$ 45,000 | \$ 45,000 | \$ 45,000 | \$ - |
| Interest | 5,000 | 5,000 | 4,936 | 64 |
| Total expenditures | <u>516,546</u> | <u>516,546</u> | <u>418,719</u> | <u>97,827</u> |
| NET CHANGES IN FUND BALANCES | - | - | 68,790 | 68,790 |
| FUND BALANCES - BEGINNING | <u>720,273</u> | <u>720,273</u> | <u>720,273</u> | - |
| FUND BALANCES - ENDING | <u>\$ 720,273</u> | <u>\$ 720,273</u> | <u>\$ 789,063</u> | <u>\$ 68,790</u> |

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2009

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|-------------------------------------|----------------------------|---------------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | \$ 127,022 | \$ 127,022 | \$ 131,627 | \$ 4,605 |
| Interest | 3,850 | 3,850 | 2,233 | (1,617) |
| Other | 675 | 675 | 565 | (110) |
| Total revenues | <u>131,547</u> | <u>131,547</u> | <u>134,425</u> | <u>2,878</u> |
| EXPENDITURES | | | | |
| Public safety | 105,177 | 105,177 | 90,108 | 15,069 |
| Capital outlay | 26,370 | 26,370 | 7,503 | 18,867 |
| Total expenditures | <u>131,547</u> | <u>131,547</u> | <u>97,611</u> | <u>33,936</u> |
| NET CHANGES IN FUND BALANCES | - | - | 36,814 | 36,814 |
| FUND BALANCES - BEGINNING | <u>185,385</u> | <u>185,385</u> | <u>185,385</u> | - |
| FUND BALANCES - ENDING | <u>\$ 185,385</u> | <u>\$ 185,385</u> | <u>\$ 222,199</u> | <u>\$ 36,814</u> |

SUPPLEMENTARY INFORMATION

Township of Buchanan
COMBINING BALANCE SHEET - nonmajor governmental funds
 March 31, 2009

| | <u>Special revenue funds</u> | | <u>Total nonmajor governmental funds</u> |
|--------------------------|------------------------------|------------------------------|--|
| | <u>Mud Lake Bog</u> | <u>Sewer Replacement</u> | |
| ASSETS | | | |
| Cash | <u>\$ 82,016</u> | <u>\$ 14,070</u> | <u>\$ 96,086</u> |
| FUND BALANCES | | | |
| Unreserved, undesignated | <u>\$ 82,016</u> | <u>\$ 14,070</u> | <u>\$ 96,086</u> |

Township of Buchanan

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

Year ended March 31, 2009

| | <u>Special revenue funds</u> | | <u>Total nonmajor governmental funds</u> |
|-------------------------------------|------------------------------|------------------------------|--|
| | <u>Mud Lake Bog</u> | <u>Sewer Replacement</u> | |
| REVENUES | | | |
| Intergovernmental | \$ - | \$ 1,276 | \$ 1,276 |
| Interest | <u>2,473</u> | <u>203</u> | <u>2,676</u> |
| Total revenues | 2,473 | 1,479 | 3,952 |
| EXPENDITURES | | | |
| Public works | <u>180</u> | <u>-</u> | <u>180</u> |
| NET CHANGES IN FUND BALANCES | 2,293 | 1,479 | 3,772 |
| FUND BALANCES - BEGINNING | <u>79,723</u> | <u>12,591</u> | <u>92,314</u> |
| FUND BALANCES - ENDING | <u>\$ 82,016</u> | <u>\$ 14,070</u> | <u>\$ 96,086</u> |

September 14, 2009

To the Board of Trustees
Township of Buchanan

We have audited the financial statements of the governmental activities , each major fund, and the aggregate remaining fund information of the Township of Buchanan for the year ended March 31, 2009, and have issued our report thereon dated September 14, 2009. 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 February 16, 2009, 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 Buchanan 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 2009. We noted no transactions entered into by the Township of Buchanan 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.

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 audit for the year ended March 31, 2009.

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 the Township of Buchanan'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 Buchanan 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 Township of Buchanan'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 a deficiency in internal control that we consider to be a material weakness.

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.

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, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a recurring comment. 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 Board of Trustees of the Township of Buchanan 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.

Sigfried Crandall P.C.