

**LINCOLN CHARTER TOWNSHIP**

**BERRIEN COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**Year ended March 31, 2009**

**LINCOLN CHARTER TOWNSHIP  
BERRIEN COUNTY, MICHIGAN**

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**Year ended March 31, 2009**

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LINCOLN CHARTER TOWNSHIP

BERRIEN COUNTY, MICHIGAN

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**LINCOLN CHARTER TOWNSHIP  
BERRIEN COUNTY, MICHIGAN**

**TOWNSHIP BOARD AND OFFICIALS**

**Richard Stauffer - Supervisor**

**Stacy Loar-Porter - Clerk**

**Terrie Smith - Treasurer**

**Marc Florian - Trustee**

**Kevin Gillette - Trustee**

**Tom Norbey - Trustee**

**Deborah Peterson - Trustee**



**SCARPONE & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 24, 2009

Members of the Township Board  
Lincoln Charter Township  
Berrien County, Michigan

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying 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 Lincoln Charter Township as of and for the year ended March 31, 2009, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of Lincoln Charter Township. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall basic 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln Charter Township as of March 31, 2009, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining funds financial statements and individual fund schedules listed as other financial information in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Lincoln Charter 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 basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 4-9 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lincoln Charter Township's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are 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 presented in all material respects in relation to the basic financial statements taken as a whole.

*Scarpone & Co., P.C.*

**LINCOLN CHARTER TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

March 31, 2009

Lincoln Charter Township's Management's Discussion and Analysis is intended to assist the reader in focusing on significant Township financial issues, provide an overview of the financial activities of the Township for the year ended March 31, 2009, and changes in its financial position, identify any material deviations from the approved budget, and identify individual fund issues or concerns. Since Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented in conjunction with the Township's basic financial statements, which will follow this section.

Management's Discussion and Analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of government-wide financial statements and fund financial statements. The accompanying report also contains notes to the basic financial statements and supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

**Government-Wide Financial Statements:**

The Government-Wide financial statements are full accrual basis statements. They report all of the Township's assets and liabilities, both short term and long term, regardless if they are "currently available" or not. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole, and therefore, present a longer-term view of the Township's financial status.

**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. Lincoln Charter Township, like other 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are reported as expenditures. Future year's debt obligations are not recorded.

LINCOLN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2009

SUMMARIZED FINANCIAL HIGHLIGHTS

- \* Lincoln Charter Township's net assets decreased by \$0.2 million, from \$31.4 million of total net assets at March 31, 2008 to a current \$31.2 million of total net assets at March 31, 2009. The \$0.2 million decrease was due strictly from the Township's overall results of operations during the fiscal year, with governmental activities and business-type activities accounting for \$0.2 million and \$(0.4) million of the decrease, respectively.
- \* During the year, total expenses from the government-wide financial statements were \$6.0 million, of which \$3.5 million were for governmental activities and \$2.5 million were for business-type activities. In the prior fiscal year, total expenses were \$6.0 million, of which \$3.6 million were for governmental activities and \$2.4 million were for business-type activities.
- \* During the year, total revenues from the government-wide financial statements were \$5.5 million, of which \$3.6 million were from governmental activities and \$1.9 million were from business-type activities. In the prior fiscal year, total revenues were \$6.2 million, of which \$4.0 million were from governmental activities and \$2.2 million were from business-type activities.

LINCOLN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following table shows that in the case of Lincoln Charter Township, assets exceed liabilities by \$31.2 million at March 31, 2009. Comparative data for the years ended March 31, 2009 and 2008, respectively, are as follows:

	March 31,	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets	\$ 16,358,644	\$ 16,046,134
Capital assets, not being depreciated	783,458	783,458
Capital assets, net of accumulated depreciation	<u>16,519,362</u>	<u>17,378,922</u>
	17,302,820	18,162,380
<b>TOTAL ASSETS</b>	<u>33,661,464</u>	<u>34,208,514</u>
<b>LIABILITIES</b>		
Current liabilities	566,889	501,419
Long-term liabilities	<u>1,902,000</u>	<u>2,259,670</u>
<b>TOTAL LIABILITIES</b>	<u>2,468,889</u>	<u>2,761,089</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	15,043,150	15,534,175
Reserved	2,617,020	2,729,238
Unreserved	<u>13,532,405</u>	<u>13,184,012</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 31,192,575</u>	<u>\$ 31,447,425</u>

At March 31, 2009, the largest portion of Lincoln Charter Township's total net assets, \$15 million or 48% of the Township's net assets, reflects its investment in capital assets (e.g., land, land improvements, buildings, building improvements, vehicles, equipment, sewer lines and water mains), 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 Lincoln Charter Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$2.6 million or 8%, of the Township's net assets represents resources that are subject to external restrictions on how they must be used. The remaining 44%, or \$13.5 million, represents net assets that may be used to meet the government's ongoing obligations to citizens and creditors. Of these unreserved net assets, \$1.3 million are related to governmental activities and \$12.2 million to business activities.

LINCOLN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONCLUDED

For the years ended March 31, 2009 and 2008, respectively, the Government-Wide results of operations were as follows:

REVENUES	Year Ended March 31,	
	<u>2009</u>	<u>2008</u>
General revenues:		
Property taxes	\$ 2,070,517	\$ 2,002,559
State of Michigan aid, unrestricted	892,028	916,673
Other general revenues	769,324	1,279,387
	<u>3,731,869</u>	<u>4,198,619</u>
Operating grants:		
State of Michigan	8,720	3,123
Charges for services:		
General government	162,014	289,067
Public safety	3,432	9,354
Highways and streets	39,049	41,889
Sanitation and health	35,350	48,800
Recreation	2,423	2,610
Water and Sewer	1,591,222	1,590,800
	<u>5,574,079</u>	<u>6,184,262</u>
Total revenues		
EXPENSES		
General government	1,402,115	1,446,610
Public safety	1,273,929	1,302,225
Highways and streets	160,545	150,379
Sanitation and health	138,761	142,630
Recreation	110,875	133,378
Water and Sewer	2,459,052	2,401,202
Capital outlay (under capitalization threshold)	311,544	263,664
Interest on long-term debt	101,383	110,966
	<u>5,958,204</u>	<u>5,951,054</u>
Total expenses		
Contributed capital	129,275	79,100
Change in net assets	(254,850)	312,308
NET ASSETS, BEGINNING OF YEAR	<u>31,447,425</u>	<u>31,135,117</u>
NET ASSETS, END OF YEAR	\$ <u>31,192,575</u>	\$ <u>31,447,425</u>

LINCOLN CHARTER TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

March 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

C. Net Investment in Capital Assets:

Lincoln Charter Township's investment in capital assets for its governmental and business-type activities as of March 31, 2009 was \$ 17,302,820 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings, building improvements, vehicles, equipment, sewer lines and water mains. Net capital assets as of March 31, 2009 is as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 783,458	\$ -	\$ 783,458
Land improvements	1,468,939	-	1,468,939
Buildings	2,696,969	-	2,696,969
Building improvements	131,561	-	131,561
Vehicles	1,700,161	-	1,700,161
Equipment	757,023	469,830	1,226,853
Sewer lines	-	28,665,172	28,665,172
Water mains	-	9,469,288	9,469,288
	<u>7,538,111</u>	<u>38,604,290</u>	<u>46,142,401</u>
Accumulated depreciation	<u>(3,554,237)</u>	<u>(25,285,344)</u>	<u>(28,839,581)</u>
<b>Total</b>	<b>\$ <u>3,983,874</u></b>	<b>\$ <u>13,318,946</u></b>	<b>\$ <u>17,302,820</u></b>

Debt Administration:

The Township made principal payments on bonded, long-term debt obligations and installment contracts that reduced the amount of the Township's long-term liabilities as follows:

	Principal Balance March 31, 2008	Additions	Principal Payments	Principal Balance March 31, 2009
1997 Fire Station Bonds	\$ 600,000	\$ -	\$ 100,000	\$ 500,000
1999 Library Bonds	1,750,000	-	200,000	1,550,000
Municipal Contract - Land	30,000	-	30,000	-
Municipal Contract - Fire Truck	58,205	-	38,535	19,670
Municipal Contract - KME Truck	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
	<b>\$ <u>2,628,205</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>368,535</u></b>	<b>\$ <u>2,259,670</u></b>

**LINCOLN CHARTER TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONCLUDED**

March 31, 2009

**GENERAL FUND BUDGET AND ACTUAL REVENUES & EXPENDITURES:**

**General Fund Expenditures Budget vs. Actual 5-Year history:**

<u>Fiscal Year</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final - Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Variance Actual &amp; Final Budget</u>
2008-2009	\$ 1,525,977	\$ 1,440,897	\$ 85,080	5.58%
2007-2008	1,455,940	1,357,688	98,252	6.75%
2006-2007	1,344,790	1,234,367	110,423	8.20%
2005-2006	1,242,851	1,185,249	57,602	4.63%
2004-2005	<u>1,206,185</u>	<u>1,097,872</u>	<u>108,313</u>	<u>8.90%</u>
	\$ <u>6,775,743</u>	\$ <u>6,316,073</u>	\$ <u>459,670</u>	

**General Fund Revenue Budget vs. Actual 5-Year history:**

<u>Fiscal Year</u>	<u>Revenues Final Budget</u>	<u>Revenues Final - Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Variance Actual &amp; Original Budget</u>
2008-2009	\$ 1,815,035	\$ 1,764,380	\$ (50,655)	(2.79%)
2007-2008	1,828,260	1,899,270	71,010	3.89%
2006-2007	1,716,235	1,794,292	78,057	4.55%
2005-2006	1,693,901	1,814,556	120,655	7.12%
2004-2005	<u>1,585,600</u>	<u>1,655,710</u>	<u>70,110</u>	<u>4.42%</u>
	\$ <u>8,639,031</u>	\$ <u>8,928,208</u>	\$ <u>289,177</u>	

**Contacting the Township's Financial Management**

This financial report is intended to provide our citizens and taxpayers with a general overview of the Township's finances. If you have any questions about this report or need additional information, please contact the Lincoln Charter Township for assistance.

LINCOLN CHARTER TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,785,897	\$ 11,945,467	\$ 15,731,364
Taxes receivable	129,740	1,195	130,935
Accounts receivable	113,860	307,662	421,522
Accrued interest receivable	-	35,331	35,331
Special assessments receivable	-	513	513
Due from other governments	11,879	-	11,879
Other current assets	27,100	-	27,100
<b>Total current assets</b>	<u>4,068,476</u>	<u>12,290,168</u>	<u>16,358,644</u>
<b>Noncurrent Assets:</b>			
Capital assets not being depreciated	783,458	-	783,458
Capital assets, net of accumulated depreciation	3,200,416	13,318,946	16,519,362
	<u>3,983,874</u>	<u>13,318,946</u>	<u>17,302,820</u>
 <b>TOTAL ASSETS</b>	 <b>\$ 8,052,350</b>	 <b>\$ 25,609,114</b>	 <b>\$ 33,661,464</b>
 <u>LIABILITIES</u>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 58,266	\$ 83,294	\$ 141,560
Deposits	3,329	-	3,329
Bonds payable	357,670	-	357,670
Interest payable	41,128	-	41,128
Deferred revenue	23,202	-	23,202
<b>Total current liabilities</b>	<u>483,595</u>	<u>83,294</u>	<u>566,889</u>
<b>Noncurrent Liabilities:</b>			
Bonds payable	1,902,000	-	1,902,000
 <b>TOTAL LIABILITIES</b>	 <u>2,385,595</u>	 <u>83,294</u>	 <u>2,468,889</u>
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	1,724,204	13,318,946	15,043,150
Reserved for debt service	553,897	-	553,897
Reserved for capital projects	420,614	-	420,614
Reserved for special revenue	1,642,509	-	1,642,509
Unreserved	1,325,531	12,206,874	13,532,405
 <b>TOTAL NET ASSETS</b>	 <u>5,666,755</u>	 <u>25,525,820</u>	 <u>31,192,575</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 8,052,350</b>	 <b>\$ 25,609,114</b>	 <b>\$ 33,661,464</b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended March 31, 2009

	Program Revenues			Net (Expense) Revenue		
	Expenses	Charges for Services and Sales	Donations, Grants and Assessments	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 1,402,115	\$ 162,014	\$ -	\$ (1,240,101)	\$ -	\$ (1,240,101)
Public safety	1,273,929	3,432	8,720	(1,261,777)	-	(1,261,777)
Highways and streets	160,545	39,049	4,158	(117,338)	-	(117,338)
Sanitation and health	138,761	35,350	-	(103,411)	-	(103,411)
Recreation	110,875	2,423	14,860	(93,592)	-	(93,592)
Capital outlay (under threshold)	311,544	-	-	(311,544)	-	(311,544)
Interest on long-term debt	101,383	-	-	(101,383)	-	(101,383)
<b>Total Governmental Activities</b>	<b>\$ 3,499,152</b>	<b>\$ 242,268</b>	<b>\$ 27,738</b>	<b>\$ (3,229,146)</b>	<b>-</b>	<b>(3,229,146)</b>
<b>Business-Type Activities:</b>						
Water and Sewer	2,459,052	1,591,222	-	-	(867,830)	(867,830)
<b>Total Primary Government</b>	<b>5,958,204</b>	<b>1,833,490</b>	<b>27,738</b>	<b>(3,229,146)</b>	<b>(867,830)</b>	<b>(4,096,976)</b>
<b>General Revenues:</b>						
Property taxes levied for general purposes				475,238	-	475,238
Property taxes levied for debt service				388,986	-	388,986
Property taxes levied for police services				1,206,293	-	1,206,293
Administration fees and delinquent taxes				176,965	-	176,965
Other taxes				6,728	-	6,728
State of Michigan aid, unrestricted				892,028	-	892,028
Interest and investment earnings				63,651	245,255	308,906
Cable franchise				130,185	-	130,185
Other revenues				72,672	54,850	127,522
<b>Total General Revenues</b>				<b>3,412,746</b>	<b>300,105</b>	<b>3,712,851</b>
Contributed Capital				-	129,275	129,275
Change in Net Assets				183,600	(438,450)	(254,850)
<b>NET ASSETS, BEGINNING OF YEAR</b>				<b>5,483,155</b>	<b>25,964,270</b>	<b>31,447,425</b>
<b>NET ASSETS, END OF YEAR</b>				<b>\$ 5,666,755</b>	<b>\$ 25,525,820</b>	<b>\$ 31,192,575</b>

See accompanying notes to basic financial statements.

**LINCOLN CHARTER TOWNSHIP**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

March 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,122,870	\$ 2,663,027	\$ 3,785,897
Taxes receivable	32,352	97,388	129,740
Accounts receivable	110,920	2,940	113,860
Intergovernmental receivable	11,879	-	11,879
Other current assets	27,100		27,100
Due from other funds	46,460	23,537	69,997
<b>TOTAL ASSETS</b>	<b>\$ 1,351,581</b>	<b>\$ 2,786,892</b>	<b>\$ 4,138,473</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 22,721	\$ 35,545	\$ 58,266
Deposits	3,329	-	3,329
Due to other funds	-	69,997	69,997
Deferred revenue	-	23,202	23,202
<b>TOTAL LIABILITIES</b>	<b>26,050</b>	<b>128,744</b>	<b>154,794</b>
<b><u>FUND BALANCES</u></b>			
Reserved for special revenue	-	1,642,509	1,642,509
Reserved for debt service	-	595,025	595,025
Reserved for capital projects	-	420,614	420,614
Unreserved:			
General Fund	1,325,531	-	1,325,531
<b>TOTAL FUND BALANCES</b>	<b>1,325,531</b>	<b>2,658,148</b>	<b>3,983,679</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 1,351,581</b>	 <b>\$ 2,786,892</b>	 <b>\$ 4,138,473</b>

See accompanying notes to basic financial statements.

**LINCOLN CHARTER TOWNSHIP**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

March 31, 2009

**TOTAL FUND BALANCES-GOVERNMENTAL FUNDS** **\$ 3,983,679**

Amounts reported for governmental activities on the statement  
of net assets are different as follows:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the governmental funds:

Cost of capital assets	\$7,538,111	
Less, accumulated depreciation	<u>(3,554,237)</u>	3,983,874

Long term liabilities are not due and payable in the current  
period and are therefore not reported in the governmental funds:

Bonds payable	(2,259,670)
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Accrued interest payable is not recorded as a liability in the governmental funds.	<u>(41,128)</u>
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**NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 5,666,755**

See accompanying notes to basic financial statements.

**LINCOLN CHARTER TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

Year ended March 31, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Property taxes	\$ 475,238	\$ 1,595,279	\$ 2,070,517
Administration fees	176,965	-	176,965
Other taxes	6,728	-	6,728
Licenses and permits	3,874	139,667	143,541
State sources	892,028	8,720	900,748
Cable franchise	130,185	-	130,185
Assessments	-	4,158	4,158
Interest	31,299	32,352	63,651
Charges for services	4,817	76,960	81,777
Lot sales	-	16,950	16,950
Donations	-	14,860	14,860
Miscellaneous	43,536	29,136	72,672
<b>TOTAL REVENUES</b>	<u>1,764,670</u>	<u>1,918,082</u>	<u>3,682,752</u>
<b>EXPENDITURES:</b>			
General government	1,008,218	160,835	1,169,053
Public safety	238,203	1,173,719	1,411,922
Highways and streets	114,252	46,293	160,545
Sanitation and health	80,224	57,190	137,414
Recreation	-	124,907	124,907
Capital projects	-	386,246	386,246
Debt service	-	399,613	399,613
<b>TOTAL EXPENDITURES</b>	<u>1,440,897</u>	<u>2,348,803</u>	<u>3,789,700</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>323,773</u>	<u>(430,721)</u>	<u>(106,948)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	9,149	323,255	332,404
Operating transfers out	(323,255)	(9,149)	(332,404)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(314,106)</u>	<u>314,106</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	9,667	(116,615)	(106,948)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,315,864</u>	<u>2,774,763</u>	<u>4,090,627</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 1,325,531</u>	<u>\$ 2,658,148</u>	<u>\$ 3,983,679</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (106,948)

Amounts reported for governmental activities on the statement  
of activities are different as follows:

Governmental funds report capital outlays as expenditures.  
However, on the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which  
depreciation exceeded capital outlay in the current year:

Depreciation	\$ (398,060)	
Capital outlay-over threshold	<u>321,442</u>	(76,618)

The disposal of capital assets is recorded on the Statement of Activities,  
but not in the fund statements:

Net loss on disposal of capital assets	(5,766)
--	---------

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities on the  
statement of net assets. This is the amount of repayments  
reported as expenditures in the governmental funds.

	368,535
--	---------

Interest is reported as an expenditure when due in the  
governmental funds, but is accrued on outstanding debt on  
the statement of activities.

	<u>4,397</u>
--	--------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 183,600

See accompanying notes to basic financial statements.

**LINCOLN CHARTER TOWNSHIP**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

March 31, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,350,604	\$ 7,594,863	\$ 11,945,467
Taxes receivable	1,195	-	1,195
Accounts receivable	237,500	70,162	307,662
Special assessments receivable	-	35,331	35,331
Accrued interest receivable	-	513	513
	<u>4,589,299</u>	<u>7,700,869</u>	<u>12,290,168</u>
<b>Fixed assets:</b>			
Sewer lines	28,665,172	-	28,665,172
Water mains	-	9,469,288	9,469,288
Equipment	436,324	33,506	469,830
	<u>29,101,496</u>	<u>9,502,794</u>	<u>38,604,290</u>
Less, accumulated depreciation	<u>(19,833,755)</u>	<u>(5,451,589)</u>	<u>(25,285,344)</u>
	<u>9,267,741</u>	<u>4,051,205</u>	<u>13,318,946</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>13,857,040</u></b>	<b>\$ <u>11,752,074</u></b>	<b>\$ <u>25,609,114</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 78,257	\$ 5,037	\$ 83,294
<b>NET ASSETS:</b>			
Investment in Capital Assets- Net of Related Debt	9,267,741	4,051,205	13,318,946
Unrestricted	4,511,042	7,695,832	12,206,874
<b>TOTAL NET ASSETS</b>	<b><u>13,778,783</u></b>	<b><u>11,747,037</u></b>	<b><u>25,525,820</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>13,857,040</u></b>	<b>\$ <u>11,752,074</u></b>	<b>\$ <u>25,609,114</u></b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET AND ACTUAL

Year ended March 31, 2009

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>REVENUES:</b>				
Charges for service	\$ 1,127,800	\$ 1,161,844	\$ 461,200	\$ 429,378
Interest	92,000	88,012	106,000	157,243
Benefit fees	-	25,600	-	4,000
Miscellaneous	-	250	25,000	25,000
<b>TOTAL REVENUES</b>	<b>1,219,800</b>	<b>1,275,706</b>	<b>592,200</b>	<b>615,621</b>
<b>EXPENSES:</b>				
Cost of service	786,090	789,751	312,210	320,959
Contracted services	69,435	75,969	20,660	5,483
Professional fees	11,800	22,492	31,500	26,329
Depreciation	810,000	740,595	300,000	238,242
Salaries and wages	89,910	90,876	25,470	29,042
Payroll taxes and employee benefits	36,455	37,700	3,390	10,575
Repairs and maintenance	52,980	4,111	24,120	116
Utilities	17,905	16,858	885	929
Insurance	14,000	8,943	7,000	4,590
Office supplies and postage	8,470	8,985	1,315	805
Miscellaneous	13,555	25,521	120	181
<b>TOTAL EXPENSES</b>	<b>1,910,600</b>	<b>1,821,801</b>	<b>726,670</b>	<b>637,251</b>
<b>NET INCOME (LOSS)</b>	<b>(690,800)</b>	<b>(546,095)</b>	<b>(134,470)</b>	<b>(21,630)</b>
Contributed capital	-	99,777	-	29,498
<b>CHANGE IN NET ASSETS</b>	<b>(690,800)</b>	<b>(446,318)</b>	<b>(134,470)</b>	<b>7,868</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>14,225,101</b>	<b>14,225,101</b>	<b>11,739,169</b>	<b>11,739,169</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 13,534,301</b>	<b>\$ 13,778,783</b>	<b>\$ 11,604,699</b>	<b>\$ 11,747,037</b>

See accompanying notes to basic financial statements.

<u>Totals</u>	
<u>Budget</u>	<u>Actual</u>
\$ 1,589,000	\$ 1,591,222
198,000	245,255
-	29,600
<u>25,000</u>	<u>25,250</u>
<u>1,812,000</u>	<u>1,891,327</u>
1,098,300	1,110,710
90,095	81,452
43,300	48,821
1,110,000	978,837
115,380	119,918
39,845	48,275
77,100	4,227
18,790	17,787
21,000	13,533
9,785	9,790
<u>13,675</u>	<u>25,702</u>
<u>2,637,270</u>	<u>2,459,052</u>
(825,270)	(567,725)
-	129,275
(825,270)	(438,450)
<u>25,964,270</u>	<u>25,964,270</u>
\$ <u>25,139,000</u>	\$ <u>25,525,820</u>

**LINCOLN CHARTER TOWNSHIP**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

Year ended March 31, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ (546,095)	\$ (21,630)	\$ (567,725)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:			
Depreciation	740,595	238,242	978,837
Changes in assets and liabilities:			
Increase in accounts receivable	(237,500)	(70,000)	(307,500)
Increase in taxes receivable	(1,022)	-	(1,022)
Decrease in special assessments receivable	-	6,371	6,371
Decrease in accrued interest receivable	-	109	109
Decrease (increase) in accounts payable	75,851	3,065	78,916
	<u>31,829</u>	<u>156,157</u>	<u>187,986</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>			
Purchases of fixed assets	(161,294)	(40,367)	(201,661)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Contributed Capital	<u>99,777</u>	<u>29,498</u>	<u>129,275</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(29,688)</b>	<b>145,288</b>	<b>115,600</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,380,292</u>	<u>7,449,575</u>	<u>11,829,867</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ <u>4,350,604</u></b>	<b>\$ <u>7,594,863</u></b>	<b>\$ <u>11,945,467</u></b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2009

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Delinquent Trust and Agency Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 14,351	\$ 25,658	\$ 15,003	\$ 55,012
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 2,243	\$ 512	\$ 43	\$ 2,798
Due to other funds	2,018	25,082	3,905	31,005
Due to other governments	10,090	64	11,055	21,209
	<u>\$ 14,351</u>	<u>\$ 25,658</u>	<u>\$ 15,003</u>	<u>\$ 55,012</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

FIDUCIARY FUNDS

COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

Year ended March 31, 2009

TRUST AND AGENCY FUND

	Balance March 31, 2008	Additions	Deductions	Balance March 31, 2009
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 783	\$ 836,670	\$ 823,102	\$ 14,351
<b><u>LIABILITIES</u></b>				
Due to other funds	\$ 131	\$ 156,438	\$ 154,551	\$ 2,018
Due to other governments	652	13,667	4,229	10,090
Payroll and employee benefits	-	666,565	664,322	2,243
	\$ 783	\$ 836,670	\$ 823,102	\$ 14,351

TAX COLLECTION FUND

	Balance March 31, 2008	Additions	Deductions	Balance March 31, 2009
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 17,411,249	\$ 17,385,591	\$ 25,658
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ 25,884	\$ 25,372	\$ 512
Due to other funds	-	2,254,150	2,229,068	25,082
Due to other governments	-	15,131,215	15,131,151	64
	\$ -	\$ 17,411,249	\$ 17,385,591	\$ 25,658

DELINQUENT TRUST AND AGENCY

	Balance March 31, 2008	Additions	Deductions	Balance March 31, 2009
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 8,058	\$ 13,911	\$ 6,966	\$ 15,003
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ 43	-	\$ 43
Due to other funds	1,418	3,905	1,418	3,905
Due to other governments	6,640	9,963	5,548	11,055
	\$ 8,058	\$ 13,911	\$ 6,966	\$ 15,003

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

FIDUCIARY FUNDS

COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year ended March 31, 2009

TOTALS - FIDUCIARY FUNDS

	Balance March 31, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2009</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>8,841</u>	\$ <u>18,261,830</u>	\$ <u>18,215,659</u>	\$ <u>55,012</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 25,927	\$ 25,372	\$ 555
Due to other funds	1,549	2,414,493	2,385,037	31,005
Due to other governments	7,292	15,154,845	15,140,928	21,209
Payroll and employee benefits	-	666,565	664,322	2,243
	\$ <u>8,841</u>	\$ <u>18,261,830</u>	\$ <u>18,215,659</u>	\$ <u>55,012</u>

See accompanying notes to basic financial statements.

**LINCOLN CHARTER TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

Year ended March 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENT PRESENTATION:**

The accounting policies of Lincoln Charter Township ("Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. A summary of the significant policies adopted by the Township are as follows:

**REPORTING ENTITY:**

The Township is a municipal corporation governed by an elected Supervisor and a six-member board. As required by generally accepted accounting principles, these financial statements present Lincoln Charter Township as the primary government. The Tax Collection Fund and the Trust & Agency Fund are included in this report due to the fiduciary responsibility that the Township exercises over these respective funds.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township's government wide activities consist of both governmental activities and business-type activities.

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

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.

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

Year ended March 31, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENT PRESENTATION:**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as all eligibility requirements imposed by the provider have been met.

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

**Fund Based Statements** - Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the Township and accounts for all revenues and expenditures of the Township not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Additionally, the Township reports the following fund types:

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Township maintains full control of these funds.

**LINCOLN CHARTER TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED**

**Year ended March 31, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENT PRESENTATION - CONCLUDED:**

**Capital Projects Funds - The Capital Projects Funds are used to account for the accumulation of resources appropriated for capital outlay expenditures.**

**Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.**

**Proprietary Fund Type - The Proprietary Funds account for Township operations that are financed and operated in a manner similar to private business enterprise, where the intent of the Township board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.**

**Fiduciary Fund Type - The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the Government-Wide financial statements. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township presently maintains a Tax Collection Fund and a Trust & Agency Fund.**

**BUDGETS AND BUDGETARY ACCOUNTING:**

**The Township Board follows the following procedures in establishing the budgetary data reflected in the basic financial statements:**

- 1. Prior to March 31, proposed operating budgets by fund are submitted to the Township Board for the fiscal year commencing April 1.**
- 2. A public hearing is conducted to obtain taxpayer comments.**
- 3. The operating budgets are legally enacted through passage of a board resolution.**
- 4. Any budget revisions must be approved by the Township Board.**
- 5. Budgets are adopted for the respective fund types using the basis of accounting described above.**

**COMPENSATING ABSENCES:**

**The Township's personnel policies do not permit the accumulation and carryforward of vacation and sick days. Accordingly, no accrual has been recorded by the Township at March 31, 2009 for compensated absences, since such amounts are not material.**

**LINCOLN CHARTER TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED**

**Year ended March 31, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

**CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents are recorded at cost and include cash investments with original maturities of three months or less.

**INVESTMENTS:**

Investments are recorded at cost which approximates market value:

The types of investments authorized by resolution of the Board are as follows:

Bonds, securities and other obligations of the United States, or an agency of the United States, the principal and interest of which are fully guaranteed by the United States.

Certificates of deposit, savings accounts, deposits accounts or depository receipts of banks, savings and loan associations, or credit unions which are insured and which meet all criteria as a depository of public funds.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing no more than 270 days after date of purchase.

United States government or federal agency obligation repurchase agreements.

Bankers' acceptances of United States banks.

Investment pools organized under the surplus funds investment pool act, 1982, PA 367, 129.111 to 129.118.

Mutual funds registered under the investment company act of 1940, title I of chapter 686.

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

Year ended March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED:

**ESTIMATES:**

The preparation of financial statements in conformity with 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 expenditures during the reporting period. Actual results could differ from those estimates.

**TAX INFORMATION:**

The Township property tax is levied each December 1, based on the state taxable valuation of property located in the Township as of the preceding December 31.

The Township's policy is to recognize revenues from the current tax levy in the year of levy.

The 2008 state taxable value of Lincoln Charter Township amounted to approximately \$602,367,000 on which ad valorem taxes levied for Township operating purposes consisted of .78620 mills or approximately \$471,000. Additionally, taxes levied for police operations consisted of 2.000 mills or approximately \$1,197,800 and debt retirement consisted of .635 mills or approximately \$382,400.

**CAPITAL ASSETS:**

Capital assets, which include land, buildings, equipment, and vehicles are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method of depreciation over the following useful lives:

Land improvements	20 years
Buildings	40 years
Building improvements	10-20 years
Vehicles	3-10 years
Equipment	3-10 years

**LINCOLN CHARTER TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED**

Year ended March 31, 2009

**NOTE B - CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consisted of the following at March 31, 2009:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits in financial institutions	\$ 3,785,397	\$ 11,945,467	\$ 55,012	\$ 15,785,876
Petty cash	500	-	-	500
	\$ 3,785,897	\$ 11,945,467	\$ 55,012	\$ 15,786,376

The above deposits in financial institutions of \$15,785,876 were reflected in the accounts of the Township's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$16,537,545. Of this amount, approximately \$503,012 was covered by federal depository insurance coverage and \$16,034,533 was uninsured and uncollateralized.

**NOTE C - EMPLOYEE BENEFIT PLAN:**

The Township has a contributory pension plan covering substantially all employees. The plan is administered by Burnham & Flower Agency, Inc. Contributions are accrued and funded on a current basis. Employee rights are vested at the time of contribution. Employer pension expenditures amounted to \$142,776 for the year ended March 31, 2009.

**NOTE D - SEGMENT INFORMATION - PROPRIETARY FUNDS:**

The Township maintains two Proprietary Funds which are intended to be self-supporting through user fee charges for services to the general public. Financial segment information as of and for the year ended March 31, 2009 is presented below:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenue	\$ 1,275,706	\$ 615,621	\$ 1,891,327
Depreciation expense	740,595	238,242	978,837
Net income (loss)	(546,095)	(21,630)	(567,725)
Fixed asset additions	161,294	40,367	201,661
Net working capital	4,511,042	7,695,832	12,206,874
Total assets	13,857,040	11,752,074	25,609,114
Total net assets	13,778,783	11,747,037	25,525,820

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONCLUDED

Year ended March 31, 2009

NOTE E - CAPITAL ASSETS:

Capital asset activity of the Township's Governmental activities for the year ended March 31, 2009 was as follows:

	Balance March 31, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2009</u>
<b>Assets not being depreciated:</b>				
Land	\$ 783,458	\$ -	\$ -	\$ 783,458
<b>Capital assets being depreciated:</b>				
Land improvements	1,416,006	76,249	23,316	1,468,939
Buildings	2,696,969	-	-	2,696,969
Building improvements	118,190	13,371	-	131,561
Vehicles	1,523,238	183,663	6,740	1,700,161
Equipment	731,257	48,159	22,393	757,023
	<u>6,485,660</u>	<u>321,442</u>	<u>52,449</u>	<u>6,754,653</u>
<b>Accumulated depreciation:</b>				
Land improvements	833,121	62,425	17,550	877,996
Buildings	983,431	70,379	-	1,053,810
Equipment	49,249	6,709	-	55,958
Vehicles	880,774	183,576	6,740	1,057,610
Equipment	456,285	74,971	22,393	508,863
	<u>3,202,860</u>	<u>398,060</u>	<u>46,683</u>	<u>3,554,237</u>
<b>Net capital assets being depreciated</b>	<u>3,282,800</u>	<u>(76,618)</u>	<u>5,766</u>	<u>3,200,416</u>
<b>Net capital assets</b>	<u>\$ 4,066,258</u>	<u>\$ (76,618)</u>	<u>\$ 5,766</u>	<u>\$ 3,983,874</u>

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONCLUDED

Year ended March 31, 2009

**NOTE E - CAPITAL ASSETS - CONCLUDED:**

Capital asset activity of the Township's Business-type activities for the year ended March 31, 2009 was as follows:

	<u>Balance March 31, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2009</u>
<b>Capital assets being depreciated:</b>				
Sewer lines	\$ 28,516,563	\$ 148,609	\$ -	\$ 28,665,172
Water mains	9,439,790	29,498	-	9,469,288
Equipment	446,276	23,554	-	469,830
	<u>38,402,629</u>	<u>201,661</u>	<u>-</u>	<u>38,604,290</u>
<b>Accumulated depreciation:</b>				
Sewer lines	18,810,899	718,270	-	19,529,169
Water mains	5,201,793	234,017	-	5,435,810
Equipment	293,815	26,550	-	320,365
	<u>24,306,507</u>	<u>978,837</u>	<u>-</u>	<u>25,285,344</u>
Net capital assets	\$ <u>14,096,122</u>	\$ <u>(777,176)</u>	\$ <u>-</u>	\$ <u>13,318,946</u>

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

<b>Governmental activities</b>	
General government	\$ 273,789
Public Safety	51,451
Highways and streets	-
Sanitation and health	7,606
Recreation	65,214
Total governmental activities	<u>398,060</u>
<b>Business-type activities</b>	
Sewer	740,595
Water	238,242
Total business-type activities	<u>978,837</u>
Total primary government	\$ <u>1,376,897</u>

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

Year ended March 31, 2009

**NOTE F - GENERAL LONG-TERM DEBT:**

General long-term debt consisted of the following at March 31, 2009

2.78% municipal purchase contract payable to Chase Equipment Leasing, Inc., payable in semi-annual installments of \$19,944 including interest, final payment due May, 2009	\$ 19,670
3.38% municipal purchase contract payable to Fifth Third Bank, payable in annual installments of \$38,000 plus interest, final payment due May, 2013	190,000
4.8% - 5.3% Unlimited Tax General Obligation Fire Station Bonds, with annual principal payments of \$100,000 to \$150,000 and semi-annual interest payments, final maturity May, 2012	500,000
4.0% - 4.3% Unlimited Tax General Obligation Library Bonds, with annual principal payments of \$200,000 to \$325,000 and semi-annual interest payments, final maturity May, 2014	<u>1,550,000</u>
	<u>\$ 2,259,670</u>

The principal reductions of general long-term debt for each of the next five years ending March 31, are as follows:

2010	\$ 357,670
2011	388,000
2012	413,000
2013	438,000
2014	338,000
2015	<u>325,000</u>
	<u>\$ 2,259,670</u>

The following is a summary of the changes in general long-term debt for the year ended March 31, 2009:

	Balance March 31, 2008	Additions	Deductions	Balance March 31, 2009
Bonds payable	\$ 2,350,000	\$ -	\$ 300,000	\$ 2,050,000
Notes payable	278,205	-	68,535	209,670
	<u>\$ 2,628,205</u>	<u>\$ -</u>	<u>\$ 368,535</u>	<u>\$ 2,259,670</u>

**LINCOLN CHARTER TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED**

Year ended March 31, 2009

**NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund balances as of March 31, 2009 is as follows:

	Due From	Due To
<b>Government Funds:</b>		
General Fund	\$ 46,460	\$ -
Other governmental funds	23,537	69,997
<b>Total</b>	<b>\$ 69,997</b>	<b>\$ 69,997</b>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended March 31, 2009, interfund transfers consisted of the following:

	Transfers In	Transfers Out
<b>Government Funds:</b>		
General Fund	\$ 9,149	\$ 323,255
Other governmental funds	323,255	9,149
<b>Total</b>	<b>\$ 332,404</b>	<b>\$ 332,404</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**NOTE H - CONTINGENCIES:**

On April 27, 2007, the Lake Michigan Water and Sewer Treatment Authority sold \$6,270,000 in bonds. Lincoln Charter Township along with St. Joseph Charter Township and Royalton Township have guaranteed the principal and interest payments over the 25 year life of the bonds. The repayment percentages for each municipality are calculated annually based on water usage. Lincoln Charter Township's percentage for the year ended March 31, 2009 was 58.12%.

LINCOLN CHARTER TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

Year ended March 31, 2009

**NOTE I - JOINT VENTURES:**

The Southwest Michigan Regional Sanitary Sewer and Water Authority is a joint venture of Lincoln Charter, Royalton, and St. Joseph Charter Townships. The authority was incorporated under the provisions of Act 233 of the Public Acts of Michigan of 1955. The purpose of the authority is to acquire, improve, extend and operate a water supply and sewage disposal system for the benefit of residents of Lincoln Charter Township, Royalton Township, and St. Joseph Charter Township.

The governing body of this authority is a board of trustees made up of three representatives from Lincoln Charter Township, three representatives from Royalton Township, and three representatives from St. Joseph Charter Township.

An annual budget is submitted to and approved by the Authority and each respective municipality. The member contribution percentages for the year ended March 31, 2009, are as follows: Lincoln Charter Township - 58.12%, St. Joseph Charter Township - 30.25%, and Royalton Township - 11.63%.

A copy of the June 20, 2008 audit report is available for review at the St. Joseph Charter Township office.

The following is audited financial information for the Southwest Michigan Regional Sanitary and Water Authority for the year ended June 30, 2008.

Assets	\$	149,640
Liabilities		40,075
Fund Equity		109,565
Revenues		400,260
Expenditures		290,695
Change in Fund Equity		109,565

**NOTE J - SUBSEQUENT EVENTS:**

On April 21, 2009, Lincoln Charter Township, along with the City of St. Joseph, Royalton Township, St. Joseph Charter Township and the Southwest Michigan Regional Sanitary Sewer and Water Authority (SWMRSSWA) entered into a new wholesale water service agreement. The general oversight of the operation shall be through a water services joint operating board comprised of one member from each of the Townships and three members from the City of St. Joseph. Rate and charges for water services shall be determined annually by the Board. The current 15% surcharge to users will be permanently progressively reduced by 1/5 of the 15% in each of the calendar years 2010 through 2013, so that in calendar year 2014 and thereafter, there will be no surcharge to such users. \$13.8 million of capital projects will be started in 2009. The cost of some of which or the financing is expected to be paid from funds received from the American Recovery and Reinvestment Act of 2009. The remaining costs will be allocated among the authority members. Except for the aforementioned capital project, capital improvements to the shared system shall be subject to approval of the Water Services Board. Each of the Townships shall be responsible for the operation, maintenance and repair for the water supply and delivery system in their respective Township.

**LINCOLN CHARTER TOWNSHIP**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Year ended March 31, 2009

	Budgeted Amounts		Actual	Variance with Fial Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 474,600	\$ 474,600	\$ 475,238	\$ 638
Administration fees	175,000	175,000	176,965	1,965
Other taxes	8,335	8,335	6,728	(1,607)
Licenses and permits	1,750	1,750	3,874	2,124
State sources	885,000	915,000	892,028	(22,972)
Cable franchise	128,000	128,000	130,185	2,185
Interest income	75,000	75,000	31,299	(43,701)
Charges for services	2,850	2,850	4,817	1,967
Miscellaneous	34,500	34,500	43,536	9,036
Operating transfers-in	6,200	6,200	9,149	2,949
	<u>1,791,235</u>	<u>1,821,235</u>	<u>1,773,819</u>	<u>(47,416)</u>
<b>EXPENDITURES:</b>				
General government	957,745	1,083,897	1,008,218	75,679
Public safety	229,660	239,235	238,203	1,032
Highways and streets	118,130	122,620	114,252	8,368
Sanitation and health	80,225	80,225	80,224	1
Operating transfers-out	403,255	323,255	323,255	-
<b>TOTAL EXPENDITURES</b>	<u>1,789,015</u>	<u>1,849,232</u>	<u>1,764,152</u>	<u>85,080</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,220</u>	<u>(27,997)</u>	<u>9,667</u>	<u>37,664</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,315,864</u>	<u>1,315,864</u>	<u>1,315,864</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,318,084</u>	<u>\$ 1,287,867</u>	<u>\$ 1,325,531</u>	<u>\$ 37,664</u>

See accompanying notes to basic financial statements.

**OTHER SUPPLEMENTAL INFORMATION**

**LINCOLN CHARTER TOWNSHIP**  
**COMBINED BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**

March 31, 2009

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 1,641,624	\$ 576,561	\$ 444,842	\$ 2,663,027
Taxes receivable	55,391	18,464	23,533	97,388
Accounts receivable and other	2,940	-	-	2,940
Due from other funds	-	-	23,537	23,537
<b>TOTAL ASSETS</b>	<b>\$ <u>1,699,955</u></b>	<b>\$ <u>595,025</u></b>	<b>\$ <u>491,912</u></b>	<b>\$ <u>2,786,892</u></b>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>				
Accounts payable	\$ 10,986	\$ -	\$ 24,559	\$ 35,545
Due to other funds	46,460	-	23,537	69,997
Deferred revenue	-	-	23,202	23,202
<b>TOTAL LIABILITIES</b>	<b>57,446</b>	<b>-</b>	<b>71,298</b>	<b>128,744</b>
<b>TOTAL FUND EQUITY</b>	<b><u>1,642,509</u></b>	<b><u>595,025</u></b>	<b><u>420,614</u></b>	<b><u>2,658,148</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>1,699,955</u></b>	<b>\$ <u>595,025</u></b>	<b>\$ <u>491,912</u></b>	<b>\$ <u>2,786,892</u></b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL  
NONMAJOR GOVERNMENTAL FUNDS

Year ended March 31, 2009

	Special Revenue	Debt Service	Capital Projects	Totals
<b>REVENUES:</b>				
Property and other taxes	\$ 1,206,293	\$ 388,986	\$ -	\$ 1,595,279
Licenses and permits	139,667	-	-	139,667
State sources	8,720	-	-	8,720
Assessments	-	-	4,158	4,158
Interest	18,719	3,556	10,077	32,352
Charges for service	76,960	-	-	76,960
Lot sales	16,950	-	-	16,950
Donations	-	-	14,860	14,860
Miscellaneous	14,726	-	14,410	29,136
	<u>1,482,035</u>	<u>392,542</u>	<u>43,505</u>	<u>1,918,082</u>
<b>EXPENDITURES:</b>				
General government	160,835	-	-	160,835
Public safety	1,173,719	-	-	1,173,719
Highways and streets	46,293	-	-	46,293
Sanitation and health	57,190	-	-	57,190
Recreation	124,907	-	-	124,907
Capital projects	-	-	386,246	386,246
Debt service	-	399,613	-	399,613
	<u>1,562,944</u>	<u>399,613</u>	<u>386,246</u>	<u>2,348,803</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(80,909)</u>	<u>(7,071)</u>	<u>(342,741)</u>	<u>(430,721)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	146,155	-	177,100	323,255
Operating transfers out	(9,149)	-	-	(9,149)
	<u>137,006</u>	<u>-</u>	<u>177,100</u>	<u>314,106</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>56,097</u>	<u>(7,071)</u>	<u>(165,641)</u>	<u>(116,615)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,586,412</u>	<u>602,096</u>	<u>586,255</u>	<u>2,774,763</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 1,642,509</u>	<u>\$ 595,025</u>	<u>\$ 420,614</u>	<u>\$ 2,658,148</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS

March 31, 2009

	<u>Parks</u>	<u>Cemetery</u>	<u>Police</u>	<u>Street Lighting</u>	<u>Building</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 78,289	\$ 93,707	\$ 1,308,825	\$ 117,752	\$ 43,051	\$ 1,641,624
Taxes receivable	-	-	53,683	1,708	-	55,391
Accounts receivable	-	-	2,940	-	-	2,940
<b>TOTAL ASSETS</b>	<b>\$ <u>78,289</u></b>	<b>\$ <u>93,707</u></b>	<b>\$ <u>1,365,448</u></b>	<b>\$ <u>119,460</u></b>	<b>\$ <u>43,051</u></b>	<b>\$ <u>1,699,955</u></b>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 6,383	\$ 35	\$ 4,236	\$ -	\$ 332	\$ 10,986
Due to other funds	-	-	167	46,293	-	46,460
<b>TOTAL LIABILITIES</b>	<b>6,383</b>	<b>35</b>	<b>4,403</b>	<b>46,293</b>	<b>332</b>	<b>57,446</b>
<b>FUND EQUITY</b>						
Fund Balances	<u>71,906</u>	<u>93,672</u>	<u>1,361,045</u>	<u>73,167</u>	<u>42,719</u>	<u>1,642,509</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>78,289</u></b>	<b>\$ <u>93,707</u></b>	<b>\$ <u>1,365,448</u></b>	<b>\$ <u>119,460</u></b>	<b>\$ <u>43,051</u></b>	<b>\$ <u>1,699,955</u></b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year ended March 31, 2009

	Parks		Cemetery	
	Budget	Actual	Budget	Actual
<b>REVENUES:</b>				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Interest	500	364	1,200	1,985
Charges for service	2,180	2,423	20,000	18,400
Lot sales	-	-	20,000	16,950
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,680</b>	<b>2,787</b>	<b>41,200</b>	<b>37,335</b>
<b>EXPENDITURES:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Sanitation and health	-	-	74,410	57,190
Recreation	148,835	124,907	-	-
<b>TOTAL EXPENDITURES</b>	<b>148,835</b>	<b>124,907</b>	<b>74,410</b>	<b>57,190</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(146,155)</b>	<b>(122,120)</b>	<b>(33,210)</b>	<b>(19,855)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	146,155	146,155	-	-
Operating transfers out	-	-	-	-
	<b>146,155</b>	<b>146,155</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>24,035</b>	<b>(33,210)</b>	<b>(19,855)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>47,871</b>	<b>47,871</b>	<b>113,527</b>	<b>113,527</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 47,871</b>	<b>\$ 71,906</b>	<b>\$ 80,317</b>	<b>\$ 93,672</b>

See accompanying notes to basic financial statements.

<u>Police</u>		<u>Street Lighting</u>		<u>Building</u>		<u>Totals</u>	
<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
\$ 1,185,000	\$ 1,206,293	\$ -	\$ -	\$ -	\$ -	\$ 1,185,000	\$ 1,206,293
3,700	14	-	-	161,000	139,653	164,700	139,667
3,000	8,720	-	-	-	-	3,000	8,720
12,000	13,991	500	1,564	1,000	815	15,200	18,719
2,100	3,418	39,000	39,049	10,000	13,670	73,280	76,960
-	-	-	-	-	-	20,000	16,950
13,400	14,726	-	-	-	-	13,400	14,726
<u>1,219,200</u>	<u>1,247,162</u>	<u>39,500</u>	<u>40,613</u>	<u>172,000</u>	<u>154,138</u>	<u>1,474,580</u>	<u>1,482,035</u>
-	-	-	-	169,985	160,835	169,985	160,835
1,225,835	1,173,719	-	-	-	-	1,225,835	1,173,719
-	-	39,845	46,293	-	-	39,845	46,293
-	-	-	-	-	-	74,410	57,190
-	-	-	-	-	-	148,835	124,907
<u>1,225,835</u>	<u>1,173,719</u>	<u>39,845</u>	<u>46,293</u>	<u>169,985</u>	<u>160,835</u>	<u>1,658,910</u>	<u>1,562,944</u>
(6,635)	73,443	(345)	(5,680)	2,015	(6,697)	(184,330)	(80,909)
-	-	-	-	-	-	146,155	146,155
-	-	-	-	(7,900)	(9,149)	(7,900)	(9,149)
-	-	-	-	(7,900)	(9,149)	138,255	137,006
(6,635)	73,443	(345)	(5,680)	(5,885)	(15,846)	(46,075)	56,097
<u>1,287,602</u>	<u>1,287,602</u>	<u>78,847</u>	<u>78,847</u>	<u>58,565</u>	<u>58,565</u>	<u>1,586,412</u>	<u>1,586,412</u>
\$ <u>1,280,967</u>	\$ <u>1,361,045</u>	\$ <u>78,502</u>	\$ <u>73,167</u>	\$ <u>52,680</u>	\$ <u>42,719</u>	\$ <u>1,540,337</u>	\$ <u>1,642,509</u>

LINCOLN CHARTER TOWNSHIP

DEBT SERVICE FUNDS

COMBINING BALANCE SHEETS

March 31, 2009

	<u>Fire Station</u>	<u>Library Bond</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 190,790	\$ 385,771	\$ 576,561
Taxes receivable	<u>6,182</u>	<u>12,282</u>	<u>18,464</u>
	<u>\$ 196,972</u>	<u>\$ 398,053</u>	<u>\$ 595,025</u>
 <b><u>FUND EQUITY</u></b>			
<b>FUND EQUITY</b>			
Fund Balances	<u>\$ 196,972</u>	<u>\$ 398,053</u>	<u>\$ 595,025</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year ended March 31, 2009

	<u>Fire Station</u>	<u>Library Bond</u>	<u>Total</u>
<b>REVENUES:</b>			
Tax sources	\$ 125,558	\$ 263,428	\$ 388,986
Interest	<u>1,436</u>	<u>2,120</u>	<u>3,556</u>
<b>TOTAL REVENUES</b>	<u>126,994</u>	<u>265,548</u>	<u>392,542</u>
<b>EXPENDITURES:</b>			
Bond principal payments	100,000	200,000	300,000
Interest	28,325	70,163	98,488
Other	<u>525</u>	<u>600</u>	<u>1,125</u>
<b>TOTAL EXPENDITURES</b>	<u>128,850</u>	<u>270,763</u>	<u>399,613</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(1,856)	(5,215)	(7,071)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>198,828</u>	<u>403,268</u>	<u>602,096</u>
<b>FUND BALANCES, END OF YEAR</b>	\$ <u>196,972</u>	\$ <u>398,053</u>	\$ <u>595,025</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEETS

March 31, 2009

	<u>Parks Capital Improve.</u>	<u>Township Improve.</u>	<u>Police Capital Improve.</u>	<u>Glenlord Special Assess.</u>	<u>DeFay Rd. Special Assess.</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Cash and equivalents	\$ 86,568	\$ 332,650	\$ 25,620	\$ 4	\$ -	\$ 444,842
Special assessment rec.	-	-	-	67	23,466	23,533
Due from other funds	-	23,537	-	-	-	23,537
	<u>\$ 86,568</u>	<u>\$ 356,187</u>	<u>\$ 25,620</u>	<u>\$ 71</u>	<u>\$ 23,466</u>	<u>\$ 491,912</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,574	\$ 22,985	\$ -	\$ -	\$ -	\$ 24,559
Due to other funds	-	-	-	71	23,466	23,537
Deferred revenue	-	-	-	-	23,202	23,202
	1,574	22,985	-	71	46,668	71,298
<b>FUND EQUITY:</b>						
Fund balances	84,994	333,202	25,620	-	(23,202)	420,614
	<u>\$ 86,568</u>	<u>\$ 356,187</u>	<u>\$ 25,620</u>	<u>\$ 71</u>	<u>\$ 23,466</u>	<u>\$ 491,912</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year ended March 31, 2009

	Parks Capital Improvement		Township Improvement		Police Capital Improvement	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>REVENUES:</b>						
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	23,500	14,860	-	-	-	-
Interest	400	1,203	-	8,558	300	316
Miscellaneous	15,500	14,410	-	-	-	-
<b>TOTAL REVENUES</b>	<b>39,400</b>	<b>30,473</b>	<b>-</b>	<b>8,558</b>	<b>300</b>	<b>316</b>
<b>EXPENDITURES:</b>						
Capital projects	215,500	108,059	472,330	254,013	24,200	24,174
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(176,100)</b>	<b>(77,586)</b>	<b>(472,330)</b>	<b>(245,455)</b>	<b>(23,900)</b>	<b>(23,858)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	81,000	81,000	61,100	61,100	35,000	35,000
Operating transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>81,000</b>	<b>81,000</b>	<b>61,100</b>	<b>61,100</b>	<b>35,000</b>	<b>35,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(95,100)</b>	<b>3,414</b>	<b>(411,230)</b>	<b>(184,355)</b>	<b>11,100</b>	<b>11,142</b>
<b>FUND BALANCES, BEGINNING</b>	<b>81,580</b>	<b>81,580</b>	<b>517,557</b>	<b>517,557</b>	<b>14,478</b>	<b>14,478</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ (13,520)</b>	<b>\$ 84,994</b>	<b>\$ 106,327</b>	<b>\$ 333,202</b>	<b>\$ 25,578</b>	<b>\$ 25,620</b>

See accompanying notes to basic financial statements.

<u>Glenlord Sidewalk Special Assessment</u>		<u>DeFay Road Special Assessment</u>		<u>Totals</u>	
<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
\$ -	\$ 843	\$ -	\$ 3,315	\$ -	\$ 4,158
-	-	-	-	23,500	14,860
-	-	-	-	700	10,077
-	-	-	-	15,500	14,410
-	843	-	3,315	39,700	43,505
-	-	-	-	712,030	386,246
-	843	-	3,315	(672,330)	(342,741)
-	-	-	-	177,100	177,100
-	-	-	-	-	-
-	-	-	-	177,100	177,100
-	843	-	3,315	(495,230)	(165,641)
(843)	(843)	(26,517)	(26,517)	586,255	586,255
\$ (843)	\$ -	\$ (26,517)	\$ (23,202)	\$ 91,025	\$ 420,614

LINCOLN CHARTER TOWNSHIP

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year ended March 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT:</b>			
Township trustees:			
Wages	\$ 17,315	\$ 17,312	\$ (3)
Employee benefits	8,550	6,199	(2,351)
	<u>25,865</u>	<u>23,511</u>	<u>(2,354)</u>
Supervisor:			
Wages	70,872	70,022	(850)
Employee benefits	20,826	18,740	(2,086)
Supplies and postage	600	277	(323)
Contractual services	300	85	(215)
Legal and professional	400	375	(25)
Telephone	300	275	(25)
Vehicle and mileage	1,450	1,006	(444)
Conferences and workshops	1,800	1,497	(303)
Dues and subscriptions	360	217	(143)
	<u>96,908</u>	<u>92,494</u>	<u>(4,414)</u>
Assessor:			
Wages	94,580	90,945	(3,635)
Employee benefits	43,935	42,265	(1,670)
Supplies and postage	14,505	12,410	(2,095)
Contractual services	4,000	5,945	1,945
Tax statement mailing	250	887	637
Vehicle and mileage	300	108	(192)
Legal and professional fees	6,000	3,839	(2,161)
Conferences and workshops	1,500	32	(1,468)
Dues and subscriptions	850	577	(273)
Capital outlay	4,500	2,410	(2,090)
Miscellaneous	650	132	(518)
	<u>171,070</u>	<u>159,550</u>	<u>(11,520)</u>
Clerk:			
Wages	66,976	64,989	(1,987)
Employee benefits	32,175	28,070	(4,105)
Supplies and postage	920	820	(100)
Contractual services	1,615	1,924	309
Vehicle and mileage	200	73	(127)
Conferences and workshops	2,300	2,355	55
Dues and subscriptions	300	221	(79)
Capital outlay	935	663	(272)
Miscellaneous	-	314	314
	<u>105,421</u>	<u>99,429</u>	<u>(5,992)</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CONTINUED

Year ended March 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT - CONTINUED:</b>			
<b>Treasurer:</b>			
Wages	\$ 33,175	\$ 35,592	\$ 2,417
Employee benefits	19,510	14,960	(4,550)
Computer service	14,430	14,892	462
Tax statement mailing	1,000	1,271	271
Legal and professional	2,000	-	(2,000)
Contractual services	900	1,177	277
Supplies and postage	7,700	7,723	23
Vehicle and mileage	650	(140)	(790)
Conferences and workshops	2,000	1,152	(848)
Dues and subscriptions	65	45	(20)
Telephone	300	300	-
Capital outlay	-	1,205	1,205
Miscellaneous	-	55	55
	<u>81,730</u>	<u>78,232</u>	<u>(3,498)</u>
<b>Elections:</b>			
Wages	35,130	39,705	4,575
Employee benefits	1,260	1,266	6
Contractual services	6,400	1,778	(4,622)
Repairs and maintenance	2,320	-	(2,320)
Supplies and postage	18,635	8,787	(9,848)
Vehicle and mileage	450	296	(154)
Printing and publishing	300	388	88
Conferences and workshops	250	39	(211)
Meals	1,700	2,005	305
	<u>66,445</u>	<u>54,264</u>	<u>(12,181)</u>
<b>Board of Review:</b>			
Wages	1,300	1,050	(250)
Employee benefits	105	80	(25)
Supplies and postage	-	26	26
Printing and publishing	500	357	(143)
Conferences and workshops	-	102	102
	<u>1,905</u>	<u>1,615</u>	<u>(290)</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CONTINUED

Year ended March 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT - CONCLUDED:</b>			
<b>General and Administrative:</b>			
Wages	\$ 49,455	\$ 38,212	\$ (11,243)
Employee benefits	21,030	28,491	7,461
Supplies and postage	9,905	7,862	(2,043)
Contractual services	37,510	46,915	9,405
Repairs and maintenance	720	1,201	481
Conferences and workshops	2,600	2,969	369
Vehicle and mileage	50	3	(47)
Legal and professional fees	118,500	118,751	251
Insurance	29,590	29,025	(565)
Community promotions	17,400	12,314	(5,086)
Telephone	4,640	4,989	349
Printing and publishing	12,800	7,767	(5,033)
Dues and subscriptions	4,945	4,388	(557)
Capital outlay	1,360	1,707	347
Miscellaneous	600	459	(141)
	<u>311,105</u>	<u>305,053</u>	<u>(6,052)</u>
<b>Township Maintenance:</b>			
Wages	42,980	40,295	(2,685)
Employee benefits	14,185	18,749	4,564
Operating supplies	6,425	4,899	(1,526)
Contractual services	515	901	386
Vehicle and mileage	3,250	2,424	(826)
Utilities	7,385	6,876	(509)
Repairs and maintenance	37,960	22,111	(15,849)
Telephone	330	553	223
Dues and subscriptions	30	-	(30)
Capital outlay	8,000	13,707	5,707
Miscellaneous	265	306	41
	<u>121,325</u>	<u>110,821</u>	<u>(10,504)</u>
<b>Planning and Zoning:</b>			
Wages	41,035	34,995	(6,040)
Employee benefits	16,878	15,294	(1,584)
Office supplies and postage	510	148	(362)
Contractual services	20,000	14,633	(5,367)
Legal fees	20,600	16,476	(4,124)
Printing and publishing	2,000	1,366	(634)
Dues and subscriptions	350	60	(290)
Conferences and workshops	250	277	27
Capital outlay	500	-	(500)
	<u>102,123</u>	<u>83,249</u>	<u>(18,874)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>1,083,897</u>	<u>1,008,218</u>	<u>(75,679)</u>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - CONCLUDED

Year ended March 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>PUBLIC SAFETY:</b>			
<b>Fire Department:</b>			
Wages	\$ 103,910	\$ 94,981	\$ (8,929)
Employee benefits	13,890	13,705	(185)
Operating supplies	37,130	42,782	5,652
Contractual services	4,500	5,531	1,031
Insurance	29,000	20,697	(8,303)
Dues and subscriptions	-	389	389
Telephone	2,500	2,593	93
Repairs and maintenance	20,510	26,406	5,896
Conferences and workshops	3,500	4,249	749
Legal and professional fees	1,000	75	(925)
Training and instruction	1,000	838	(162)
Utilities	10,640	12,768	2,128
Office supplies and postage	2,920	1,330	(1,590)
Vehicle and mileage	4,200	4,552	352
Radio maintenance fees	1,930	2,200	270
Capital outlay	2,600	4,927	2,327
Miscellaneous	5	180	175
<b>TOTAL PUBLIC SAFETY</b>	<b>239,235</b>	<b>238,203</b>	<b>(1,032)</b>
<b>HIGHWAYS AND STREETS:</b>			
Drains	49,505	47,355	(2,150)
Roads and bridges	31,115	27,115	(4,000)
Street lighting	42,000	39,782	(2,218)
<b>TOTAL HIGHWAYS AND STREETS</b>	<b>122,620</b>	<b>114,252</b>	<b>(8,368)</b>
<b>SANITATION AND HEALTH:</b>			
Ambulance subsidy	80,225	80,224	(1)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,525,977</b>	<b>\$ 1,440,897</b>	<b>\$ (85,080)</b>

See accompanying notes to basic financial statements.

LINCOLN CHARTER TOWNSHIP  
LONG-TERM DEBT - 1997 UNLIMITED TAX GENERAL  
OBLIGATION FIRE STATION BONDS  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS  
March 31, 2009

<b>Year Ending March 31,</b>	<b><u>Principal</u> <u>May 1</u></b>	<b><u>Interest Requirements</u></b>		<b><u>Total</u> <u>Interest</u></b>	<b><u>Total</u> <u>Requirements</u></b>
		<b><u>May 1</u></b>	<b><u>November 1</u></b>		
2010	\$ 100,000	\$ 12,913	\$ 10,413	\$ 23,326	\$ 123,326
2011	125,000	10,413	7,225	17,638	142,638
2012	125,000	7,225	3,975	11,200	136,200
2013	150,000	3,975	-	3,975	153,975
	<u>\$ 500,000</u>	<u>\$ 34,526</u>	<u>\$ 21,613</u>	<u>\$ 56,139</u>	<u>\$ 556,139</u>

**LINCOLN CHARTER TOWNSHIP**  
**LONG-TERM DEBT - 1999 UNLIMITED TAX GENERAL**  
**OBLIGATION LIBRARY BONDS**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**

March 31, 2009

<b>Year Ending <u>March 31,</u></b>	<b><u>Principal</u> <u>May 1</u></b>	<b><u>Interest Requirements</u></b>		<b><u>Total</u> <u>Interest</u></b>	<b><u>Total</u> <u>Requirements</u></b>
	<b><u>May 1</u></b>	<b><u>May 1</u></b>	<b><u>November 1</u></b>		
2010	\$ 200,000	\$ 33,006	\$ 28,806	\$ 61,812	\$ 261,812
2011	225,000	28,806	23,969	52,775	277,775
2012	250,000	23,969	18,594	42,563	292,563
2013	250,000	18,594	13,281	31,875	281,875
2014	300,000	13,281	6,906	20,187	320,187
2015	325,000	6,906	-	6,906	331,906
	<b><u>\$ 1,550,000</u></b>	<b><u>\$ 124,562</u></b>	<b><u>\$ 91,556</u></b>	<b><u>\$ 216,118</u></b>	<b><u>\$ 1,766,118</u></b>



SCARPONE & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 24, 2009

Members of the Township Board  
Lincoln Charter Township  
Stevensville, Michigan

We have audited the financial statements of Lincoln Charter Township for the year ended March 31, 2009, and have issued our report thereon dated June 24, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter, 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 accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lincoln Charter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Lincoln Charter Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts. However, the objective of our tests was not to provide an opinion of compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you per our engagement letter.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lincoln Charter Township are described in Note A 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 Lincoln Charter Township during the year for which there is lack of authoritative guidance or consensus.

### Accounting Estimates

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 estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factor assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### 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.

### 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.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 24, 2009.

**Management's 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.

**Issues Discussed Prior to Retention of Independent Auditors**

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 Lincoln Charter Township'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**

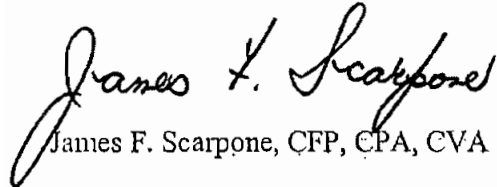
We encountered no difficulties in dealing with management in performing and completing our audit.

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

As always, should you have any questions, please don't hesitate to contact me.

Sincerely,

SCARPONE & CO., P.C.

  
James F. Scarpone, CFP, CPA, CVA



SCARPONE & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 24, 2009

Members of the Township Board  
Lincoln Charter Township  
Stevensville, Michigan

In planning and performing our audit of the financial statements of Lincoln Charter 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 Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

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.

#### **COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROL**

Our procedures disclosed the following conditions that we would like to bring to your attention:

##### **Control Deficiency - Lack of Compiled Board Policy Manual**

Presently, all policies are approved by the Township Board and copies of the individual policies are kept in the binder with the minutes of the Township Board. However, there is not a single binder or computer file that compiles all of the Township's written policies.

**Recommendation:**

The Township should consider compiling the individual Board policies into one series of binders or files, which may be either in hard copy or electronic form.

**Control Deficiency - Dating of Cash Receipts:**

Presently, the Township utilizes separate pre-numbered receipt books for both the Treasurer and the Clerk. We identified that a number of the Treasurer's receipts were "backdated" to correspond with the month end dates.

**Recommendation:**

Receipts should be used in numeric sequence and be dated with the date the receipt is prepared. Whenever possible, the receipts should be prepared on the date the transaction takes place. If this is not possible, the receipt should be dated the day the receipt is prepared, and the actual transaction date should be noted in the memo section of the receipt.

**Control Deficiency - Delay in posting entries:**

During the audit it was reported that the accountant was not always able to prepare month-end reports in a timely manner as receipts for items such as investment interest allocations were not always prepared in a timely manner.

**Recommendation:**

Whenever possible, receipts should be prepared on the date a specific transaction takes place.

**Control Deficiency - Mail receipts documentation:**

Presently, the mail is picked-up, opened and sorted by the accountant. The funds received in the mail are not recorded in any type of ledger or log.

**Recommendation:**

If staffing circumstances allow, the mail should be opened by two persons not involved in the bookkeeping function. All funds received in the mail should be recorded in a cash receipts spreadsheet. This spreadsheet should be used to confirm deposits when the bank deposits and bank reconciliations are prepared.

**Control Deficiency - Lack of documentation with bank deposits:**

Presently, when there are numerous checks with a bank deposit, an adding machine tape is run to total the checks, but the tape is sent with the deposit and a copy of the tape is not kept at the Township.

**Recommendation:**

Copies of any adding machine tape documentation supporting bank deposits should be made and kept by the Township.

**Control Deficiency - Balances in Tax Collection, Trust and Agency, and Delinquent Trust and Agency Accounts:**

The Tax Collection, Trust and Agency, and the Delinquent Trust and Agency Accounts all had significant undistributed funds on March 31, 2009. In addition, the allocation documentation for the Tax Collection and the Delinquent Trust and Agency were not prepared until June, 2009.

**Recommendation:**

The Tax Collection, Trust and Agency, and the Delinquent Trust and Agency Accounts should be reconciled on at least a monthly basis and any required funds distributions should be made as soon as possible thereafter.

**Control Deficiency - Lack of separation of duties - bank reconciliations:**

Presently, the Treasurer has authorization for bank account access and also prepares the bank reconciliations for the Tax Collection, Delinquent Trust and Agency, Fire Station Debt Retirement, and Library Debt Retirement Accounts.

**Recommendation:**

An individual that has no contact with the cash receipts or disbursement process should prepare the the monthly bank reconciliations for these accounts.

**Control Deficiency - Lack of reconciliation of investment account:**

The investment balance initially reported at March 31, 2009 did not include the interest earned and received on the investment.

**Recommendation:**

An individual that has no contact with the cash receipts or disbursement process should prepare an investment reconciliation report each month. Additionally, copies of all documentation supporting activity in the Township's investment portfolio should be given to the accountant and kept with the journal entry documentation.

**Preparation of Financial Statements in Accordance with GAAP**

Governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting financial statements, including the related footnotes.

As is the case with government units of similar size, the Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

The cause for this condition is simply because it is more cost effective to outsource the preparation of the Township's annual financial statements to the independent auditors, rather than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. Accordingly, the Township relies on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this to you solely as required by professional standards,

**SUMMARY**

These conditions were considered in determining the nature, timing and extent of the audit procedures that were applied in our audit of the Township's financial statements and this communication to you of these matters does not affect our report on the Township's financial statements for the year ended March 31, 2009.

We welcome any questions regarding the foregoing comments and we would be happy to discuss these or any other questions that you may have at your convenience.

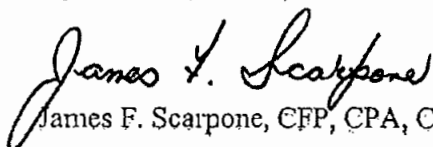
We appreciate and thank the Township staff for their cooperation and assistance during this year's audit.

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

As always, should you have any questions, please don't hesitate to contact us,

Sincerely,

SCARPONE & CO., P.C.

  
James F. Scarpone, CFP, CPA, CVA