

TOWNSHIP OF SODUS  
Berrien County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2009

TOWNSHIP OF SODUS  
Berrien County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

May 6, 2009

To the Township Board  
Township of Sodus  
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sodus, Berrien County, Michigan as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sodus's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sodus, Berrien County, Michigan as of March 31, 2009 and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF SODUS  
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2009

The Management's Discussion and Analysis report of the Township of Sodus covers the Township's financial performance during the year ended March 31, 2009.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2009, totaled \$1,751,094.97 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$545,207.05 from governmental activities. Governmental activities had a \$128,466.34 increase in net assets.

Taxable value was \$63,726,186.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Road Fund and the Library Fund.

TOWNSHIP OF SODUS  
Berrien County, Michigan

CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2009

	Total Governmental Activities 2008	Total Governmental Activities 2009
Current Assets	1 406 974	1 571 121
Capital Assets	218 413	182 973
<b>Total Assets</b>	<b>1 625 387</b>	<b>1 754 094</b>
Current Liabilities	2 758	2 999
Non-current Liabilities	-	-
<b>Total Liabilities</b>	<b>2 758</b>	<b>2 999</b>
<b>Net Assets:</b>		
Invested in Capital Assets	218 413	182 973
Restricted	144 131	133 649
Unrestricted	1 260 085	1 434 473
<b>Total Net Assets</b>	<b>1 622 629</b>	<b>1 751 095</b>
	Total Governmental Activities 2008	Total Governmental Activities 2009
<b>Program Revenues:</b>		
Fees and Charges for Services	81 730	77 633
Operating Grants and Contributions	10 371	472
<b>General Revenues:</b>		
Property Taxes	240 530	258 608
State Revenue Sharing	159 733	155 730
Interest	52 942	32 198
Miscellaneous	8 954	20 566
<b>Total Revenues</b>	<b>554 260</b>	<b>545 207</b>
<b>Program Expenses:</b>		
Legislative	5 092	5 092
General Government	172 829	177 016
Public Safety	130 549	133 845
Public Works	64 516	22 388
Recreation and Culture	59 860	71 796
Other	6 556	6 604
<b>Total Expenses</b>	<b>439 402</b>	<b>416 741</b>
<b>Increase in Net Assets</b>	<b>114 858</b>	<b>128 466</b>
<b>Net Assets, April 1</b>	<b>1 507 771</b>	<b>1 622 629</b>
<b>Net Assets, March 31</b>	<b>1 622 629</b>	<b>1 751 095</b>

TOWNSHIP OF SODUS  
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2009

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is funding public safety.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$5,000.00 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk at 269-461-6448 or Township Treasurer at 269-926-6343. The Township Hall is located at 4056 King Drive, Sodus, Michigan. Office hours are Monday, Wednesday and Friday from 9:00 a.m. to 1:00 p.m.

TOWNSHIP OF SODUS  
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2009

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 547 866 74
Taxes receivable	<u>23 253 98</u>
Total Current Assets	<u>1 571 120 72</u>
NONCURRENT ASSETS:	
Capital Assets	887 420 80
Less: Accumulated Depreciation	<u>(704 447 71)</u>
Net Capital assets	<u>182 973 09</u>
TOTAL ASSETS	<u>1 754 093 81</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 998 84</u>
Total Current Liabilities	<u>2 998 84</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>2 998 84</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	182 973 09
Restricted for library	133 648 89
Unrestricted	<u>1 434 472 99</u>
Total Net Assets	<u>1 751 094 97</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 754 093 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2009

FUNCTIONS/PROGRAMS	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	5 092 00	-	-	(5 092 00)
General government	177 015 63	24 005 00	-	(153 010 63)
Public safety	133 845 16	33 168 42	-	(100 676 74)
Public works	22 388 04	-	-	(22 388 04)
Culture and recreation	71 795 60	20 460 11	471 78	(50 863 71)
Other	6 604 28	-	-	(6 604 28)
<b>Total Governmental Activities</b>	<b>416 740 71</b>	<b>77 633 53</b>	<b>471 78</b>	<b>(338 635 40)</b>
General Revenues:				
Property taxes				258 607 80
State revenue sharing				155 729 85
Interest				32 197 82
Miscellaneous				20 566 27
<b>Total General Revenues</b>				<b>467 101 74</b>
Change in net assets				128 466 34
Net assets, beginning of year				1 622 628 63
Net Assets, End of Year				1 751 094 97

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2009

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	569 775 56	813 547 96	164 142 65	1 547 466 17
Taxes receivable	9 607 69	11 372 36	2 273 93	23 253 98
Due from other funds	<u>400 57</u>	<u>-</u>	<u>-</u>	<u>400 57</u>
<b>Total Assets</b>	<u><u>579 783 82</u></u>	<u><u>824 920 32</u></u>	<u><u>166 416 58</u></u>	<u><u>1 571 120 72</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>2 998 84</u>	<u>-</u>	<u>-</u>	<u>2 998 84</u>
<b>Total liabilities</b>	<u>2 998 84</u>	<u>-</u>	<u>-</u>	<u>2 998 84</u>
Fund equity:				
Fund balances:				
Reserved for library capital improvements	-	-	117 765 29	117 765 29
Reserved for library memorials	-	-	15 883 60	15 883 60
Unreserved:				
Undesignated	<u>576 784 98</u>	<u>824 920 32</u>	<u>32 767 69</u>	<u>1 434 472 99</u>
<b>Total fund equity</b>	<u>576 784 98</u>	<u>824 920 32</u>	<u>166 416 58</u>	<u>1 568 121 88</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>579 783 82</u></u>	<u><u>824 920 32</u></u>	<u><u>166 416 58</u></u>	<u><u>1 571 120 72</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2009

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 568 121 88
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	887 420 80
Accumulated depreciation	<u>(704 447 71)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 751 094 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2009

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<b>Revenues:</b>				
Property taxes	106 790 24	126 404 10	25 413 46	258 607 80
Licenses and permits	33 168 42	-	-	33 168 42
State grant	-	-	471 78	471 78
State revenue sharing	154 268 00	-	1 461 85	155 729 85
Charges for services	24 005 00	-	-	24 005 00
Penal fines	-	-	20 460 11	20 460 11
Interest	14 981 42	14 881 52	2 334 88	32 197 82
Miscellaneous	19 530 47	-	1 035 80	20 566 27
<b>Total revenues</b>	<u>352 743 55</u>	<u>141 285 62</u>	<u>51 177 88</u>	<u>545 207 05</u>
<b>Expenditures:</b>				
<b>Legislative:</b>				
Township Board	5 092 00	-	-	5 092 00
<b>General government:</b>				
Supervisor	12 621 44	-	-	12 621 44
Elections	4 219 28	-	-	4 219 28
Assessor	23 441 89	-	-	23 441 89
Clerk	12 986 00	-	-	12 986 00
Board of Review	1 755 00	-	-	1 755 00
Treasurer	12 379 00	-	-	12 379 00
Building and grounds	5 796 97	-	-	5 796 97
Cemetery	31 116 12	-	-	31 116 12
Unallocated	68 078 85	-	-	68 078 85
<b>Public safety:</b>				
Code enforcement	4 193 45	-	-	4 193 45
Fire protection	55 143 19	-	-	55 143 19
Ambulance	12 299 00	-	-	12 299 00
Protective inspection	25 738 37	-	-	25 738 37
Planning Commission	6 799 25	-	-	6 799 25
<b>Public works:</b>				
Highways and streets	-	5 000 00	-	5 000 00
Street lights	5 858 65	-	-	5 858 65
Drains	7 455 38	-	-	7 455 38
Sanitation	627 01	-	-	627 01
<b>Culture and recreation:</b>				
Parks	2 179 54	-	-	2 179 54
Library	-	-	66 916 06	66 916 06
<b>Other functions:</b>				
Social security	6 604 28	-	-	6 604 28
Capital outlay	5 000 00	-	-	5 000 00
<b>Total expenditures</b>	<u>309 384 67</u>	<u>5 000 00</u>	<u>66 916 06</u>	<u>381 300 73</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>43 358 88</u>	<u>136 285 62</u>	<u>(15 738 18)</u>	<u>163 906 32</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2009

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfers in	-	-	3 500 00	3 500 00
Operating transfers out	(3 500 00)	-	-	(3 500 00)
Total other financing sources (uses)	<u>(3 500 00)</u>	<u>-</u>	<u>3 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	39 858 88	136 285 62	(12 238 18)	163 906 32
Fund balances, April 1	<u>536 926 10</u>	<u>688 634 70</u>	<u>178 654 76</u>	<u>1 404 215 56</u>
Fund Balances, March 31	<u>576 784 98</u>	<u>824 920 32</u>	<u>166 416 58</u>	<u>1 568 121 88</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

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

Year ended March 31, 2009

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 163 906 32

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(40 439 98)
Capital Outlay	<u>5 000 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 128 466 34

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sodus. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. All the Township's government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is 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 generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2008 tax roll millage rate was 4.0898 mills, and the taxable value was \$63,726,186.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 547 866 74</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	245 432 42
Uninsured and Uncollateralized	<u>1 319 598 80</u>
Total Deposits	<u>1 565 031 22</u>

The Township of Sodus did not have any investments as of March 31, 2009.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance</u> 4/1/08	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 3/31/09
<u>Governmental Activities:</u>				
Land	72 211 91	-	-	72 211 91
Buildings and improvements	383 842 30	-	-	383 842 30
Equipment	412 525 59	5 000 00	(13 794 00)	403 731 59
Infrastructure	27 635 00	-	-	27 635 00
<b>Total</b>	<b>896 214 80</b>	<b>5 000 00</b>	<b>(13 794 00)</b>	<b>887 420 80</b>
Accumulated Depreciation	(677 801 73)	(40 439 98)	13 794 00	(704 447 71)
<b>Net Capital Assets</b>	<b><u>218 413 07</u></b>	<b><u>(35 439 98)</u></b>	<b><u>-</u></b>	<b><u>182 973 09</u></b>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF SODUS  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2009

**Note 7 – Risk Management**

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

**Note 8 – Building Permits**

As of March 31, 2009, the Township had building permit revenues of \$27,590.00 and building permit expenses of \$25,738.37.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	180 32	Agency	180 32
General	<u>220 25</u>	Current Tax Collection	<u>220 25</u>
Total	<u>400 57</u>	Total	<u>400 57</u>

**Note 10 – Operating Transfers**

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Library	<u>3 500 00</u>	General	<u>3 500 00</u>
Total	<u>3 500 00</u>	Total	<u>3 500 00</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Property taxes	101 000 00	101 000 00	106 790 24	5 790 24
Licenses and permits	38 600 00	41 900 00	33 168 42	(8 731 58)
State revenue sharing	159 750 00	158 750 00	154 268 00	(4 482 00)
Charges for services	-	-	24 005 00	24 005 00
Interest	21 000 00	10 300 00	14 981 42	4 681 42
Miscellaneous	<u>1 000 00</u>	<u>5 000 00</u>	<u>19 530 47</u>	<u>14 530 47</u>
<b>Total revenues</b>	<u>321 350 00</u>	<u>316 950 00</u>	<u>352 743 55</u>	<u>35 793 55</u>
<b>Expenditures:</b>				
<b>Legislative:</b>				
Township Board	5 750 00	5 750 00	5 092 00	(658 00)
<b>General government:</b>				
Supervisor	12 700 00	12 700 00	12 621 44	(78 56)
Elections	3 500 00	4 300 00	4 219 28	(80 72)
Assessor	25 450 00	25 450 00	23 441 89	(2 008 11)
Clerk	13 750 00	13 750 00	12 986 00	(764 00)
Board of Review	3 750 00	3 750 00	1 755 00	(1 995 00)
Treasurer	13 750 00	13 750 00	12 379 00	(1 371 00)
Building and grounds	5 200 00	6 900 00	5 796 97	(1 103 03)
Cemetery	22 700 00	31 400 00	31 116 12	(283 88)
Unallocated	89 600 00	93 600 00	68 078 85	(25 521 15)
<b>Public safety:</b>				
Code enforcement	9 700 00	6 700 00	4 193 45	(2 506 55)
Fire protection	53 800 00	55 700 00	55 143 19	(556 81)
Ambulance	12 300 00	12 300 00	12 299 00	(1 00)
Protective inspection	26 000 00	27 100 00	25 738 37	(1 361 63)
Planning Commission	5 100 00	7 100 00	6 799 25	(300 75)
<b>Public works:</b>				
Street lights	5 900 00	6 400 00	5 858 65	(541 35)
Drains	13 000 00	13 000 00	7 455 38	(5 544 62)
Sanitation	2 500 00	2 300 00	627 01	(1 672 99)
<b>Culture and recreation:</b>				
Parks	3 700 00	4 400 00	2 179 54	(2 220 46)
<b>Other functions:</b>				
Social security	7 500 00	9 000 00	6 604 28	(2 395 72)
Contingency	352 765 00	328 465 00	-	(328 465 00)
Capital outlay	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 000 00</u>	<u>-</u>
<b>Total expenditures</b>	<u>693 415 00</u>	<u>688 815 00</u>	<u>309 384 67</u>	<u>(379 430 33)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(372 065 00)</u>	<u>(371 865 00)</u>	<u>43 358 88</u>	<u>415 223 88</u>
<b>Other financing sources (uses):</b>				
Operating transfers out	<u>(15 000 00)</u>	<u>(15 000 00)</u>	<u>(3 500 00)</u>	<u>11 500 00</u>
<b>Total other financing sources (uses)</b>	<u>(15 000 00)</u>	<u>(15 000 00)</u>	<u>(3 500 00)</u>	<u>11 500 00</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>(387 065 00)</u>	<u>(386 865 00)</u>	<u>39 858 88</u>	<u>426 723 88</u>
<b>Fund balance, April 1</b>	<u>387 065 00</u>	<u>386 865 00</u>	<u>536 926 10</u>	<u>150 061 10</u>
<b>Fund Balance, March 31</b>	<u>-</u>	<u>-</u>	<u>576 784 98</u>	<u>576 784 98</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND  
Year ended March 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	115 000 00	115 000 00	126 404 10	11 404 10
Interest	-	-	14 881 52	14 881 52
Total revenues	<u>115 000 00</u>	<u>115 000 00</u>	<u>141 285 62</u>	<u>26 285 62</u>
Expenditures:				
Public works:				
Highways and streets	<u>827 000 00</u>	<u>827 000 00</u>	<u>5 000 00</u>	<u>(822 000 00)</u>
Total expenditures	<u>827 000 00</u>	<u>827 000 00</u>	<u>5 000 00</u>	<u>(822 000 00)</u>
Excess (deficiency) of revenues over expenditures	(712 000 00)	(712 000 00)	136 285 62	848 285 62
Fund balance, April 1	<u>712 000 00</u>	<u>712 000 00</u>	<u>688 634 70</u>	<u>(23 365 30)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>824 920 32</u>	<u>824 920 32</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND  
Year ended March 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	22 000 00	28 000 00	25 413 46	(2 586 54)
State revenue sharing	1 500 00	1 500 00	1 461 85	(38 15)
Penal fines	20 000 00	20 500 00	20 460 11	(39 89)
Interest	-	-	2 334 88	2 334 88
Miscellaneous	<u>450 00</u>	<u>925 00</u>	<u>1 507 58</u>	<u>582 58</u>
Total revenues	<u>43 950 00</u>	<u>50 925 00</u>	<u>51 177 88</u>	<u>252 88</u>
Expenditures:				
Culture and recreation:				
Library	<u>74 725 00</u>	<u>79 425 00</u>	<u>66 916 06</u>	<u>(12 508 94)</u>
Total expenditures	<u>74 725 00</u>	<u>79 425 00</u>	<u>66 916 06</u>	<u>(12 508 94)</u>
Excess (deficiency) of revenues over expenditures	<u>(30 775 00)</u>	<u>(28 500 00)</u>	<u>(15 738 18)</u>	<u>12 761 82</u>
Other financing sources (uses):				
Operating transfers in	<u>28 800 00</u>	<u>28 500 00</u>	<u>3 500 00</u>	<u>(25 000 00)</u>
Total other financing sources (uses)	<u>28 800 00</u>	<u>28 500 00</u>	<u>3 500 00</u>	<u>(25 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1 975 00)	-	(12 238 18)	(12 238 18)
Fund balance, April 1	<u>30 000 00</u>	<u>30 000 00</u>	<u>178 654 76</u>	<u>148 654 76</u>
Fund Balance, March 31	<u>28 025 00</u>	<u>30 000 00</u>	<u>166 416 58</u>	<u>136 416 58</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2009

Township Board:	
Fees and per diem	<u>5 092 00</u>
Supervisor:	
Salary	12 067 00
Telephone	<u>554 44</u>
	<u>12 621 44</u>
Elections	<u>4 219 28</u>
Assessor:	
Contracted services	22 317 36
Supplies	<u>1 124 53</u>
	<u>23 441 89</u>
Clerk:	
Salary	<u>12 986 00</u>
Board of Review:	
Wages	<u>1 755 00</u>
Treasurer:	
Salary	<u>12 379 00</u>
Building and grounds:	
Utilities	2 038 56
Repairs and maintenance	<u>3 758 41</u>
	<u>5 796 97</u>
Cemetery:	
Wages	15 214 90
Supplies	227 11
Opening and closing graves	9 450 00
Equipment maintenance and repairs	<u>6 224 11</u>
	<u>31 116 12</u>
Unallocated:	
Wages	5 823 64
Legal	13 443 64
Supplies	5 466 99
Printing and publishing	1 393 17
Dues and conferences	2 284 50
Contracted services	3 034 47
Audit	3 300 00
Insurance	25 583 00
Telephone	1 547 01
Utilities	265 15
Miscellaneous	<u>5 936 98</u>
	<u>68 078 85</u>
Code enforcement	<u>4 193 45</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2009

Fire protection:	
Salaries and wages	15 954 10
Operating supplies	15 652 88
Maintenance and repairs	12 060 12
Telephone	1 260 73
Utilities	4 933 86
Insurance	2 205 00
Miscellaneous	<u>3 076 50</u>
	<u>55 143 19</u>
Ambulance	<u>12 299 00</u>
Protective inspection:	
Contracted services	24 379 92
Miscellaneous	<u>1 358 45</u>
	<u>25 738 37</u>
Planning Commission:	
Wages	2 290 75
Contracted services	4 003 50
Supplies	450 00
Miscellaneous	<u>55 00</u>
	<u>6 799 25</u>
Street lighting:	
Utilities	<u>5 858 65</u>
Drains	<u>7 455 38</u>
Sanitation	<u>627 01</u>
Parks	<u>2 179 54</u>
Social security	<u>6 604 28</u>
Capital outlay	<u>5 000 00</u>
Total Expenditures	<u>309 384 67</u>

TOWNSHIP OF SODUS  
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
Year ended March 31, 2009

	Balance 4/1/08	Additions	Deductions	Balance 3/31/09
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	101 86	758 021 26	757 902 87	220 25
<u>Liabilities</u>				
Due to other funds	101 86	214 627 25	214 508 86	220 25
Due to others	-	543 394 01	543 394 01	-
Total Liabilities	101 86	758 021 26	757 902 87	220 25
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	5 945 59	6 500 17	12 265 44	180 32
<u>Liabilities</u>				
Due to other funds	227 03	2 999 67	3 046 38	180 32
Due to others	5 718 56	3 500 50	9 219 06	-
Total Liabilities	5 945 59	6 500 17	12 265 44	180 32
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	6 047 45	764 521 43	770 168 31	400 57
<u>Liabilities</u>				
Due to other funds	328 89	217 626 92	217 555 24	400 57
Due to others	5 718 56	546 894 51	552 613 07	-
Total Liabilities	6 047 45	764 521 43	770 168 31	400 57

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 6, 2009

To the Township Board  
Township of Sodus  
Berrien County, Michigan

We have audited the financial statements of the Township of Sodus for the year ended March 31, 2009. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Sodus  
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

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

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

#### **PREPARATION OF FINANCIAL STATEMENTS**

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit'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 accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board  
Township of Sodus  
Berrien County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY** (cont.)

**PREPARATION OF FINANCIAL STATEMENTS** (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors 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 governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, 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 as required by professional standards.

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

**SUMMARY**

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

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants