TOWNSHIP OF CHESANING
Saginaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

RECEIVED
DEPT. OF TREASURY
AUG 25 2005
8/24
LOCAL AUDIT & FINANCE DIV.

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Chesaning	Saginaw

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2005	June 13, 2005	August 11, 2005

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY
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LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 13, 2005

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Chesaning, Saginaw County, Michigan as of and for the year ended March 31, 2005, 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 Chesaning'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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary governmental activities and each major fund of the Township of Chesaning, Saginaw County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements because they do not include the financial data of the component unit of the Township of Chesaning, do not purport to, and do not present fairly the financial position of the Township of Chesaning as of March 31, 2005, and changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as of April 1, 2004.

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 CHESANING
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Chesaning covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled $426,700.07 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were $601,018.60 from governmental activities.

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.

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 Agency Fund, the Cemetery Perpetual Care Fund, the Refuse and Recycling Fund and the Current Tax Collection Fund.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

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: All 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 Refuse and Recycling Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our governmental activities cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of $82,431.77 and fire protection which incurred expenses of $153,613.09.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested $0 in capital assets.

The Township's governmental activities paid $0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships 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 or Township Treasurer at 989-845-2341.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	350 275 83
Taxes receivable	19 348 18
Special assessments receivable	7 894 53
Total Current Assets	377 518 54
NON-CURRENT ASSETS:	
Capital Assets	196 476 77
Less: Accumulated Depreciation	(112 703 21)
Total Non-current Assets	83 773 56
TOTAL ASSETS	461 292 10
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	34 592 03
Total Current Liabilities	34 592 03
NON-CURRENT LIABILITIES	-
Total Non-current Liabilities	-
Total Liabilities	34 592 03
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	83 773 56
Restricted for cemetery	393 43
Unrestricted	342 533 08
Total Net Assets	426 700 07
TOTAL LIABILITIES AND NET ASSETS	461 292 10

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue	Governmental Activities
	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	43 943 07	-	(43 943 07)
General government	142 227 07	56 327 91	(85 899 16)
Public safety	181 709 37	178 117 46	(3 591 91)
Public works	186 313 38	96 505 60	(89 807 78)
Culture and recreation	8 615 52	-	(8 615 52)
Other	32 314 86	-	(32 314 86)
Total Governmental Activities	595 123 27	330 950 97	(264 172 30)
General Revenues:			
Property taxes			99 192 34
State revenue sharing			163 709 60
Interest			3 581 86
Miscellaneous			3 583 83
Total General Revenues			270 067 63
Change in net assets			5 895 33
Net assets, beginning of year			420 804 74
Net Assets, End of Year			426 700 07

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	General	Refuse and Recycling	Other Funds	Total
Assets				
Cash in bank	247 701 18	101 914 99	393 43	350 009 60
Taxes receivable	19 348 18	-	-	19 348 18
Special assessments receivable	-	7 894 53	-	7 894 53
Due from other funds	266 23	-	-	266 23
Total Assets	267 315 59	109 809 52	393 43	377 518 54
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	10 244 01	24 348 02	-	34 592 03
Total liabilities	10 244 01	24 348 02	-	34 592 03
Fund equity:				
Fund balances:				
Reserved for cemetery	-	-	393 43	393 43
Unreserved:				
Undesignated	257 071 58	85 461 50	-	342 533 08
Total fund equity	257 071 58	85 461 50	393 43	342 926 51
Total Liabilities and Fund Equity	267 315 59	109 809 52	393 43	377 518 54

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	342 926 51
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	196 476 77
Accumulated depreciation	(112 703 21)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	426 700 07

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2005

	General	Refuse and Recycling	Other Funds	Total
Revenues:				
Property taxes	99 192 34	-	-	99 192 34
Licenses and permits	31 580 00	-	-	31 580 00
State revenue sharing	163 709 60	-	-	163 709 60
Charges for services	49 487 91	-	-	49 487 91
Interest	3 459 49	121 19	1 18	3 581 86
Special assessments	153 377 46	96 505 60	-	249 883 06
Miscellaneous	2 381 61	1 202 22	-	3 583 83
Total revenues	503 188 41	97 829 01	1 18	601 018 60
Expenditures:				
Legislative:				
Township Board	43 943 07	-	-	43 943 07
General government:				
Supervisor	9 000 00	-	-	9 000 00
Elections	6 533 79	-	-	6 533 79
Assessor	34 835 38	-	-	34 835 38
Audit	4 900 00	-	-	4 900 00
Attorney	4 192 50	-	-	4 192 50
Clerk	17 544 00	-	-	17 544 00
Board of Review	917 19	-	-	917 19
Treasurer	16 999 94	-	-	16 999 94
Building and grounds	7 207 54	-	-	7 207 54
Cemetery	31 153 73	-	-	31 153 73
Data processing	3 159 71	-	-	3 159 71
Public safety:				
Fire protection	153 613 09	-	-	153 613 09
Planning and zoning	28 096 28	-	-	28 096 28
Public works:				
Highways and streets	82 431 77	-	-	82 431 77
Street lights	629 84	-	-	629 84
Sanitation	-	103 251 77	-	103 251 77
Culture and recreation:				
Parks and recreation	7 968 47	-	-	7 968 47
Other functions:				
Health	4 196 00	-	-	4 196 00
Pension	17 801 86	-	-	17 801 86
Insurance	10 317 00	-	-	10 317 00
Total expenditures	485 441 16	103 251 77	-	588 692 93
Excess (deficiency) of revenues over expenditures	17 747 25	(5 422 76)	1 18	12 325 67
Fund balances, April 1	239 324 33	90 884 26	392 25	330 600 84
Fund Balances, March 31	257 071 58	85 461 50	393 43	342 926 51

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

TOWNSHIP OF CHESANING
Saginaw 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, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	12 325 67
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	(6 430 34)
Capital Outlay	-
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	5 895 33

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

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying financial statements are for the primary government of the Township of Chesaning, and do not include the financial data of the component unit of the Township, as required by generally accepted accounting principles. The component unit discussed below is considered to be part of the Township's reporting entity because of the significance of its operational or financial relationship with the Township. If this component unit had been included, it would have been presented as a discrete component unit.

Component Unit

Chesaning Public Library – The taxes of the Library are levied and collected by the Township. The taxes are transmitted to the Library by the Township. A complete financial statement can be obtained from Chesaning Public Library, 227 East Broad Street in Chesaning, Michigan.

Joint Venture

Chesaning – Brady Fire Authority – The Townships of Chesaning and Brady and the Village of Chesaning jointly established the Chesaning – Brady Fire Authority. Each Township appoints two representatives and the Village appoints one representative to serve on the administrative board. For the fiscal year ended March 31, 2005, the Township of Chesaning provided $153,613.09 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Chesaning. Separate financial statements of the joint venture may be obtained directly from them at 310 East Broad Street in Chesaning, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Funds

The following funds comprise the Fiduciary Funds as shown in the accompanying financial statements.

Pension Trust Fund

The Pension Trust Fund accounts for funds contributed by the employer and employee for retirement.

Agency Fund

This fund collects and distributes delinquent taxes to the various other funds and governmental units.

Note 1 – Summary of Significant Accounting Policies (continued)

Current Tax Collection Fund

The Current Tax Collection Fund accounts for the collection and disbursement of the current year's tax levy.

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 are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

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 2004 tax roll millage rate was .9453 mills, and the taxable value was $107,699,190.00.

Encumbrances

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

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than $5,000.00 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	10-30 years
Furniture and equipment	8-20 years

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

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.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling $83,773.56.

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.

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

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 two 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:

	Carrying Amounts
Total Deposits	350 711 03

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

	Bank Balances
Insured (FDIC)	134 566 96
Uninsured and Uncollateralized	223 604 74
Total Deposits	358 171 70

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.
The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

Note 3 – Deposits and Investments (continued)

Investment Type	(1)	(2)	(3)	Carrying Amount
Risk-Categorized:				
Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				129 805 04
Total Investments				129 805 04

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

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

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
Governmental Activities:				
Land	59 515 25	-	-	59 515 25
Buildings and improvements	106 682 52	-	-	106 682 52
Equipment	30 279 00	-	-	30 279 00
Total	196 476 77	-	-	196 476 77
Accumulated Depreciation	(106 272 87)	(6 430 34)	-	(112 703 21)
Net Capital Assets	90 203 90	(6 430 34)	-	83 773 56

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all Township elected officials, cemetery sexton and employees on a monthly salary. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Members are 100% vested from the date of employment. The Township contributed $17,801.86 during the fiscal year ended March 31, 2005. The employees are not required to contribute to the plan but they can make voluntary contributions. This plan is recorded in a pension trust fund.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

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, 2005, the Township had building permit revenues of $23,630.00 and building permit expenses of $22,995.00.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	266 23	Current Tax Collection	260 41
		Agency	5 82
Total	266 23	Total	266 23

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	98 900 00	98 900 00	99 192 34	292 34
Licenses and permits	20 000 00	20 000 00	31 580 00	11 580 00
State revenue sharing	149 000 00	149 000 00	163 709 60	14 709 60
Charges for services	49 800 00	49 800 00	49 487 91	(312 09)
Interest	5 000 00	5 000 00	3 459 49	(1 540 51)
Special assessments	161 000 00	161 000 00	153 377 46	(7 622 54)
Miscellaneous	1 000 00	1 000 00	2 381 61	1 381 61
Total revenues	484 700 00	484 700 00	503 188 41	18 488 41
Expenditures:				
Legislative:				
Township Board	54 140 00	51 240 00	43 943 07	(7 296 93)
General government:				
Supervisor	9 000 00	9 000 00	9 000 00	-
Elections	7 000 00	7 000 00	6 533 79	(466 21)
Assessor	35 000 00	35 000 00	34 835 38	(164 62)
Audit	3 500 00	4 900 00	4 900 00	-
Attorney	3 000 00	4 200 00	4 192 50	(7 50)
Clerk	17 544 00	17 544 00	17 544 00	-
Board of Review	1 200 00	1 200 00	917 19	(282 81)
Treasurer	17 000 00	17 000 00	16 999 94	(06)
Building and grounds	7 000 00	7 300 00	7 207 54	(92 46)
Cemetery	50 000 00	50 000 00	31 153 73	(18 846 27)
Data processing	6 000 00	6 000 00	3 159 71	(2 840 29)
Public safety:				
Fire protection	161 000 00	161 000 00	153 613 09	(7 386 91)
Planning and zoning	43 000 00	43 000 00	28 096 28	(14 903 72)
Public works:				
Highways and streets	184 000 00	184 000 00	82 431 77	(101 568 23)
Street lights	1 000 00	1 000 00	629 84	(370 16)
Drains	1 500 00	1 500 00	-	(1 500 00)
Culture and recreation:				
Parks and recreation	8 000 00	8 000 00	7 968 47	(31 53)
Other functions:				
Health	10 000 00	10 000 00	4 196 00	(5 804 00)
Pension	20 000 00	20 000 00	17 801 86	(2 198 14)
Insurance	15 000 00	15 000 00	10 317 00	(4 683 00)
Total expenditures	653 884 00	653 884 00	485 441 16	(168 442 84)
Excess (deficiency) of revenues over expenditures	(169 184 00)	(169 184 00)	17 747 25	186 931 25
Fund balance, April 1	169 184 00	169 184 00	239 324 33	70 140 33
Fund Balance, March 31	-	-	257 071 58	257 071 58

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – REFUSE AND RECYCLING FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	121 19	121 19
Special assessments	114 416 00	114 416 00	96 505 60	(17 910 40)
Miscellaneous	-	-	1 202 22	1 202 22
Total revenues	114 416 00	114 416 00	97 829 01	(16 586 99)
Expenditures:				
Public works:				
Sanitation	114 416 00	114 416 00	103 251 77	(11 164 23)
Total expenditures	114 416 00	114 416 00	103 251 77	(11 164 23)
Excess (deficiency) of revenues over expenditures	-	-	(5 422 76)	(5 422 76)
Fund balance, April 1	-	-	90 884 26	90 884 26
Fund Balance, March 31	-	-	85 461 50	85 461 50

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	8 640 00
Office help	9 565 25
Payroll taxes	7 964 27
Memberships and dues	200 00
Telephone	2 635 12
Mileage	1 236 88
Printing and publishing	2 654 33
Repairs and maintenance	1 562 87
Miscellaneous	5 040 20
Education and training	4 444 15
	43 943 07
Supervisor:	
Salary	9 000 00
Elections:	
Wages	3 889 25
Printing and publishing	508 10
Miscellaneous	142 54
Repairs and maintenance	1 993 90
	6 533 79
Assessor:	
Contracted services	22 500 00
Printing and publishing	251 28
Contracted services	12 084 10
	34 835 38
Audit	4 900 00
Attorney	4 192 50
Clerk:	
Salary	17 544 00
Board of Review:	
Wages	498 75
Printing and publishing	378 32
Miscellaneous	40 12
	917 19
Treasurer:	
Salary	16 999 94
Building and grounds:	
Wages	1 536 00
Utilities	2 243 33
Repairs and maintenance	3 428 21
	7 207 54

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Cemetery:	
Sexton	4 212 00
Open and close graves	14 621 00
Lawn maintenance	6 175 00
Mileage	688 44
Printing and publishing	161 65
Utilities	321 74
Repairs and maintenance	4 973 90
	31 153 73
Data processing:	
Maintenance	3 159 71
Fire protection	153 613 09
Planning and zoning:	
Wages	21 435 50
Contracted services	3 520 00
Mileage	387 97
Printing and publishing	263 54
Repairs and maintenance	2 489 27
	28 096 28
Highways and streets	82 431 77
Street lighting	629 84
Parks and recreation	7 968 47
Health	4 196 00
Pension	17 801 86
Insurance	10 317 00
Total Expenditures	485 441 16

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUNDS
March 31, 2005

		Agency		
	Pension Trust	Current Tax Collection	Agency	Total
Assets				
Cash in bank	-	695 61	5 82	701 43
Investments	97 249 36	-	-	97 249 36
Total Assets	97 249 36	695 61	5 82	97 950 79
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	-	260 41	5 82	266 23
Due to other units	-	435 20	-	435 20
Total liabilities	-	695 61	5 82	701 43
Fund balances:				
Reserved for retirement benefits	97 249 36	-	-	97 249 36
Total fund balances	97 249 36	-	-	97 249 36
Total Liabilities and Fund Balances	97 249 36	695 61	5 82	97 950 79

TOWNSHIP OF CHESANING
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PENSION TRUST FUND
Year ended March 31, 2005

	Pension Trust
Operating revenues:	
Contributions	16 953 96
Total operating revenues	16 953 96
Less operating expenses:	
Management fees	1 882 57
Total operating expenses	1 882 57
Operating income (loss)	15 071 39
Non-operating revenues and (expenses):	
Distributions	(55 385 44)
Gain (loss) on investment	8 615 71
Total non-operating revenues and (expenses)	(46 769 73)
Net income (loss)	(31 698 34)
Fund balance, April 1	128 947 70
Fund Balance, March 31	97 249 36

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2005

	Balance 4/1/04	Additions	Deductions	Balance 3/31/05
CURRENT TAX COLLECITON FUND				
Assets				
Cash in Bank	540 49	3 328 260 53	3 328 105 41	695 61
Liabilities				
Due to other funds	480 05	364 868 33	365 087 97	260 41
Due to others	60 44	2 963 392 20	2 963 017 44	435 20
Total Liabilities	540 49	3 328 260 53	3 328 105 41	695 61
AGENCY FUND				
Assets				
Cash in Bank	7 58	39 675 38	39 677 14	5 82
Liabilities				
Due to other funds	7 58	26 097 74	26 099 50	5 82
Due to others	-	13 577 64	13 577 64	-
Total Liabilities	7 58	39 675 38	39 677 14	5 82
TOTALS – ALL AGENCY FUNDS				
Assets				
Cash in Bank	548 07	3 367 935 91	3 367 782 55	701 43
Liabilities				
Due to other funds	487 63	390 966 07	391 187 47	266 23
Due to others	60 44	2 976 969 84	2 976 595 08	435 20
Total Liabilities	548 07	3 367 935 91	3 367 782 55	701 43

TOWNSHIP OF CHESANING
Saginaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	540 49
Cash receipts:	
Property taxes	3 328 021 52
Interest	239 01
Total cash receipts	3 328 260 53
Total beginning balance and cash receipts	3 328 801 02
Cash disbursements:	
Township General Fund – Operating	133 343 45
Township General Fund – Fire	143 133 45
Township Refuse and Recycling Fund	88 611 07
Chesaning Public Library	93 078 68
Saginaw County	1 361 612 70
Saginaw County Intermediate School District	204 259 41
Shiawassee County Intermediate School District	2 460 52
Chesaning Union School District	996 575 36
New Lothrup School District	4 699 26
Downtown Development Authority	67 211 84
Delta College	202 410 65
State of Michigan	21 291 72
Refunds	9 417 30
Total cash disbursements	3 328 105 41
Cash in Bank – End of Year	695 61

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

RECEIVED
DEPT. OF TREASURY
AUG 25 2005
8/24
LOCAL AUDIT & FINANCE DIV.

June 13, 2005

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the financial statements of the Township of Chesaning for the year ended March 31, 2005. 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 Chesaning 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 Chesaning
Saginaw 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.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Chesaning began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

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

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

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, dated March 31, 2005.

To the Township Board
Township of Chesaning
Saginaw County, Michigan

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