

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Gun Plain	County Allegan
Fiscal Year End March 31, 2007	Opinion Date 7/20/07	Date Audit Report Submitted to State August 24, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication

Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002		License Number 1101020724	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	

Charter Township of Gun Plain
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Gun Plain's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$121,243 (2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$159,891 and net assets of the business-type activities decreased by \$38,648.
- Of the \$5,201,754 total net assets reported, \$1,402,665 (27 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$697,650, which represents 97 percent of the actual total expenditures of the General Fund for the current fiscal year.

Overview of the financial statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has two kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$5,201,754, an increase of 2 percent compared to the prior year. Of this total, \$3,220,736 is invested in capital assets and \$578,353 is restricted for debt service. Consequently, unrestricted net assets were \$1,402,665, or 27 percent of the total.

Condensed financial information
 Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,166,658	\$ 1,044,412	\$ 863,347	\$ 919,193	\$ 2,030,005	\$ 1,963,605
Capital assets	<u>742,162</u>	<u>694,950</u>	<u>3,448,574</u>	<u>3,526,405</u>	<u>4,190,736</u>	<u>4,221,355</u>
Total assets	<u>1,908,820</u>	<u>1,739,362</u>	<u>4,311,921</u>	<u>4,445,598</u>	<u>6,220,741</u>	<u>6,184,960</u>
Current liabilities	21,167	11,600	27,820	22,849	48,987	34,449
Long-term debt outstanding	<u>-</u>	<u>-</u>	<u>970,000</u>	<u>1,070,000</u>	<u>970,000</u>	<u>1,070,000</u>
Total liabilities	<u>21,167</u>	<u>11,600</u>	<u>997,820</u>	<u>1,092,849</u>	<u>1,018,987</u>	<u>1,104,449</u>
Net assets:						
Invested in capital assets, net of related debt	742,162	694,950	2,478,574	2,456,405	3,220,736	3,151,355
Restricted	-	-	578,353	626,837	578,353	626,837
Unrestricted	<u>1,145,491</u>	<u>1,032,812</u>	<u>257,174</u>	<u>269,507</u>	<u>1,402,665</u>	<u>1,302,319</u>
Total net assets	<u>\$ 1,887,653</u>	<u>\$ 1,727,762</u>	<u>\$ 3,314,101</u>	<u>\$ 3,352,749</u>	<u>\$ 5,201,754</u>	<u>\$ 5,080,511</u>

Changes in net assets. The Township's total revenues are \$1,305,051. Over 30 percent of the revenues come from charges for services, primarily from sewer and water services. Nearly 29 percent of the total revenues come from state shared revenue while property taxes account for 27 percent of the total revenues.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all the Township's programs, covering a wide range of services, totaled \$1,183,808. Over 36 percent of the Township's costs relate to the provision of utility services. General government costs account for 33 percent of the Township's total costs and public safety costs represent 19 percent.

Condensed financial information						
Changes in Net Assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 99,264	\$ 134,501	\$ 294,481	\$ 279,041	\$ 393,745	\$ 413,542
Operating grants and contributions	15,976	-	-	-	15,976	-
Capital grants and contributions	-	105,000	71,715	80,357	71,715	185,357
General revenues:						
Property taxes	358,684	339,933	-	-	358,684	339,933
State shared revenue	383,477	385,605	-	-	383,477	385,605
Interest	48,600	18,863	21,301	17,588	69,901	36,451
Franchise fees	11,553	16,532	-	-	11,553	16,532
Total revenues	917,554	1,000,434	387,497	376,986	1,305,051	1,377,420
Expenses:						
Legislative	13,027	12,959	-	-	13,027	12,959
General government	394,855	404,344	-	-	394,855	404,344
Public safety	224,330	254,866	-	-	224,330	254,866
Public works	115,075	95,868	-	-	115,075	95,868
Community and economic development	3,516	6,086	-	-	3,516	6,086
Culture and recreation	6,860	6,860	-	-	6,860	6,860
Sewer	-	-	292,922	280,131	292,922	280,131
Water	-	-	133,223	138,380	133,223	138,380
Total expenses	757,663	780,983	426,145	418,511	1,183,808	1,199,494
Increase (decrease) in net assets	\$ 159,891	\$ 219,451	\$ (38,648)	\$ (41,525)	\$ 121,243	\$ 177,926

Governmental activities

Governmental activities increased the Township's net assets by \$159,891 during the current fiscal year compared to a \$219,451 increase in the prior year. The increase in net assets was higher last year primarily due to a \$105,000 capital grant that was used to purchase a fire truck. Net assets have increased because revenues have been sufficient to finance the full cost of governmental operations each year. During the current fiscal year, we also experienced the following additional factors that contributed to the increase in net assets:

- Property tax revenues continue to increase (\$19,000) and interest income increased nearly \$30,000 due to higher yields on our deposits
- Governmental expenses decreased by more than \$23,000

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities

Business-type activities decreased the Township's net assets by \$38,648 during the current fiscal year compared to a \$41,525 decrease in the prior year. A decrease is expected annually as user charges are not set to cover all operating costs which include depreciation.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,145,491, an increase of \$112,679 in comparison with the prior year. The total fund balances are unreserved, meaning they are available for spending at the Board's discretion; however, the Board has designated \$376,366 of the fund balances for specific purposes.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,074,016, which represents 150 percent of the actual total expenditures of the General Fund for the current fiscal year. The fund balance of the General Fund increased by \$123,316 because its revenues were sufficient to cover the fund's total expenditures during the current fiscal year. The fund's total expenditures decreased by \$135,844 compared to the prior year primarily due to a reduction in capital outlay expenditures.

The Cemetery Fund experienced a decrease in fund balance of \$10,637. The decrease occurred because revenues decreased by \$11,764 during the current year while expenditures increased by \$8,329. Fund balance, in the amount of \$71,475, still represents a healthy 81 percent of the actual total expenditures of the fund for the current fiscal year.

Proprietary funds

The Sewer Fund experienced a decrease in net assets in the amount of \$11,977 because charges for services are not sufficient to cover all operating costs. Operating costs include depreciation, a noncash expense, in the amount of \$71,371. Net assets were \$1,802,387 at year-end of which \$109,334 was unrestricted.

The Water Fund experienced a decrease in net assets in the amount of \$26,671 because, like the Sewer Fund, charges for services are not sufficient to cover all operating costs. Net assets were \$1,511,714 at year-end of which \$147,840 were unrestricted.

General Fund budgetary highlights

The Board amended the budgeted expenditures of the General Fund during the year and expectations changed. Total appropriations decreased by \$156,049 primarily because public works costs were lower than originally anticipated.

Revenues were \$35,850 less than budgeted while expenditures were \$184,267 less than the amended budget which resulted in a \$148,417 positive budget variance and a \$123,316 increase in fund balance compared to a budgeted \$25,101 decrease.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$4,190,736 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, shared road costs, and sewer and water facilities. The decrease in the Township's net investment in capital assets for the current fiscal year was \$30,619.

Major capital asset events during the current fiscal year included the following:

- Road improvements on 2nd Street and Midlakes Boulevard totaling \$111,664
- Purchase of a new truck and snow plow for \$20,204

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term debt outstanding in the amount of \$970,000 which represents a decrease of \$100,000.

During the year ended March 31, 2007, the Township reduced its long-term debt through the scheduled principal payments on its two bond issues related to the Sewer Fund. Total retirements amounted to \$100,000.

More detailed information about the Township's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

The General Fund budget for the subsequent year anticipates expenditures totaling \$1,081,450 with revenues sufficient to finance operations without using any fund balance. The Township's voters approved a new road millage (one mill for three years) that will be collected for the first time with the winter 2007 tax bills. We expect this millage to generate an additional \$195,000 that has allowed the Board to approve road construction and maintenance expenditures in the next fiscal year totaling \$380,028. With regard to our utility systems, water rates were increased in June 2006 to keep up with the costs of operating and maintaining the water system.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Marty Meert, Township Clerk
Charter Township of Gun Plain
381 8th Street, P.O. Box 146
Plainwell, MI 49080

Phone: (269) 685-9471

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Gun Plain, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Charter Township of Gun Plain, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Charter Township of Gun Plain, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

July 20, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of Gun Plain
STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 624,394	\$ 572,157	\$ 1,196,551
Investments	445,105	-	445,105
Receivables	97,159	69,990	167,149
	<u>1,166,658</u>	<u>642,147</u>	<u>1,808,805</u>
Total current assets			
Noncurrent assets:			
Receivables	-	221,200	221,200
Capital assets, net	742,162	3,448,574	4,190,736
	<u>742,162</u>	<u>3,669,774</u>	<u>4,411,936</u>
Total noncurrent assets			
	<u>1,908,820</u>	<u>4,311,921</u>	<u>6,220,741</u>
Total assets			
LIABILITIES			
Current liabilities:			
Payables	21,167	27,820	48,987
Bonds payable	-	100,000	100,000
	<u>21,167</u>	<u>127,820</u>	<u>148,987</u>
Total current liabilities			
Noncurrent liabilities - bonds payable	-	870,000	870,000
	<u>21,167</u>	<u>997,820</u>	<u>1,018,987</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	742,162	2,478,574	3,220,736
Restricted for debt service	-	578,353	578,353
Unrestricted	1,145,491	257,174	1,402,665
	<u>\$ 1,887,653</u>	<u>\$ 3,314,101</u>	<u>\$ 5,201,754</u>
Total net assets			

See notes to the financial statements

Charter Township of Gun Plain

STATEMENT OF ACTIVITIES

Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 13,027	\$ -	\$ -	\$ -
General government	394,855	55,452	-	-
Public safety	224,330	34,667	-	-
Public works	115,075	4,219	15,976	-
Community and economic development	3,516	4,926	-	-
Culture and recreation	6,860	-	-	-
	<u>757,663</u>	<u>99,264</u>	<u>15,976</u>	<u>-</u>
Total governmental activities				
Business-type activities:				
Sewer	292,922	194,895	-	71,715
Water	133,223	99,586	-	-
	<u>426,145</u>	<u>294,481</u>	<u>-</u>	<u>71,715</u>
Total business-type activities				
Totals	<u>\$ 1,183,808</u>	<u>\$ 393,745</u>	<u>\$ 15,976</u>	<u>\$ 71,715</u>

General revenues:

- Property taxes
- State shared revenue
- Unrestricted investment earnings
- Cable franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (13,027)		\$ (13,027)
(339,403)		(339,403)
(189,663)		(189,663)
(94,880)		(94,880)
1,410		1,410
<u>(6,860)</u>		<u>(6,860)</u>
 <u>(642,423)</u>		 <u>(642,423)</u>
	\$ (26,312)	(26,312)
	<u>(33,637)</u>	<u>(33,637)</u>
	 <u>(59,949)</u>	 <u>(59,949)</u>
 <u>(642,423)</u>	 <u>(59,949)</u>	 <u>(702,372)</u>
358,684	-	358,684
383,477	-	383,477
48,600	21,301	69,901
<u>11,553</u>	<u>-</u>	<u>11,553</u>
 <u>802,314</u>	 <u>21,301</u>	 <u>823,615</u>
159,891	(38,648)	121,243
<u>1,727,762</u>	<u>3,352,749</u>	<u>5,080,511</u>
 <u>\$ 1,887,653</u>	 <u>\$ 3,314,101</u>	 <u>\$ 5,201,754</u>

See notes to the financial statements

Charter Township of Gun Plain
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>Major funds</u>		<u>Total</u>
	<u>General</u>	<u>Cemetery</u>	<u>governmental</u>
			<u>funds</u>
ASSETS			
Cash	\$ 552,919	\$ 71,475	\$ 624,394
Investments	445,105	-	445,105
Receivables	97,159	-	97,159
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,095,183</u>	<u>\$ 71,475</u>	<u>\$ 1,166,658</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	<u>\$ 21,167</u>	<u>\$ -</u>	<u>\$ 21,167</u>
Fund balances - unreserved:			
Designated	376,366	-	376,366
Undesignated	697,650	71,475	769,125
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,074,016</u>	<u>71,475</u>	<u>1,145,491</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,095,183</u>	<u>\$ 71,475</u>	<u>\$ 1,166,658</u>
Total fund balances - governmental funds			\$ 1,145,491
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			<u>742,162</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,887,653</u>

See notes to the financial statements

Charter Township of Gun Plain

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

Year ended March 31, 2007

	<u>Major funds</u>		<u>Total</u>
	<u>General</u>	<u>Cemetery</u>	<u>governmental funds</u>
REVENUES			
Property taxes	\$ 358,684	\$ -	\$ 358,684
Licenses and permits	52,424	-	52,424
State grants	393,539	-	393,539
Charges for services	-	49,818	49,818
Fines and forfeitures	4,636	-	4,636
Interest and rentals	50,014	3,286	53,300
Other	5,153	-	5,153
	<u>864,450</u>	<u>53,104</u>	<u>917,554</u>
Total revenues			
EXPENDITURES			
Legislative	13,027	-	13,027
General government	312,073	73,468	385,541
Public safety	176,799	-	176,799
Public works	202,367	-	202,367
Community and economic development	3,516	-	3,516
Culture and recreation	6,860	-	6,860
Capital outlay	1,492	15,273	16,765
	<u>716,134</u>	<u>88,741</u>	<u>804,875</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>148,316</u>	<u>(35,637)</u>	<u>112,679</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	25,000	25,000
Transfers out	(25,000)	-	(25,000)
	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	123,316	(10,637)	112,679
FUND BALANCES - BEGINNING	<u>950,700</u>	<u>82,112</u>	<u>1,032,812</u>
FUND BALANCES - ENDING	<u>\$ 1,074,016</u>	<u>\$ 71,475</u>	<u>\$ 1,145,491</u>

See notes to the financial statements

Charter Township of Gun Plain

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

Year ended March 31, 2007

Reconciliation of the statement of revenues, expenditures, and changes
in fund balances to the statement of activities.

Net change in fund balances - total governmental funds \$ 112,679

Amounts reported for *governmental activities* in the statement of
activities (page 5) are different because:

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

Add - capital outlay	131,868
Deduct - depreciation expense	<u>(84,656)</u>

Change in net assets of *governmental activities* \$ 159,891

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 432,381	\$ 139,776	\$ 572,157
Receivables	<u>57,500</u>	<u>12,490</u>	<u>69,990</u>
Total current assets	<u>489,881</u>	<u>152,266</u>	<u>642,147</u>
Noncurrent assets:			
Receivables	221,200	-	221,200
Capital assets, net of accumulated depreciation	<u>2,084,700</u>	<u>1,363,874</u>	<u>3,448,574</u>
Total noncurrent assets	<u>2,305,900</u>	<u>1,363,874</u>	<u>3,669,774</u>
Total assets	<u>2,795,781</u>	<u>1,516,140</u>	<u>4,311,921</u>
LIABILITIES			
Current liabilities:			
Payables	23,394	4,426	27,820
Bonds payable	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	123,394	4,426	127,820
Noncurrent liabilities - bonds payable	<u>870,000</u>	<u>-</u>	<u>870,000</u>
Total liabilities	<u>993,394</u>	<u>4,426</u>	<u>997,820</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,114,700	1,363,874	2,478,574
Restricted for debt service	578,353	-	578,353
Unrestricted	<u>109,334</u>	<u>147,840</u>	<u>257,174</u>
Total net assets	<u>\$ 1,802,387</u>	<u>\$ 1,511,714</u>	<u>\$ 3,314,101</u>

See notes to the financial statements

Charter Township of Gun Plain

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND

NET ASSETS - *proprietary funds*

Year ended March 31, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 194,895	\$ 99,586	\$ 294,481
OPERATING EXPENSES			
Personnel	3,250	7,500	10,750
Supplies	237	5,196	5,433
Contracted services	17,840	21,019	38,859
System operation and maintenance	25,872	25,771	51,643
Insurance	6,200	3,000	9,200
Utilities	12,148	7,742	19,890
Flow charges	106,555	-	106,555
Water fees	-	19,735	19,735
Depreciation	71,371	43,260	114,631
 Total operating expenses	 <u>243,473</u>	 <u>133,223</u>	 <u>376,696</u>
 Operating loss	 <u>(48,578)</u>	 <u>(33,637)</u>	 <u>(82,215)</u>
NONOPERATING REVENUES (EXPENSES)			
Debt service charges	41,028	-	41,028
Special assessment interest	30,687	-	30,687
Interest revenue	14,335	6,966	21,301
Interest expense	(49,449)	-	(49,449)
 Total nonoperating revenues	 <u>36,601</u>	 <u>6,966</u>	 <u>43,567</u>
 CHANGE IN NET ASSETS	 (11,977)	 (26,671)	 (38,648)
 NET ASSETS - BEGINNING	 <u>1,814,364</u>	 <u>1,538,385</u>	 <u>3,352,749</u>
 NET ASSETS - ENDING	 <u>\$ 1,802,387</u>	 <u>\$ 1,511,714</u>	 <u>\$ 3,314,101</u>

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 192,488	\$ 100,160	\$ 292,648
Payments to vendors and suppliers	(166,951)	(78,037)	(244,988)
Payments to employees	<u>(3,250)</u>	<u>(7,500)</u>	<u>(10,750)</u>
Net cash provided by operating activities	<u>22,287</u>	<u>14,623</u>	<u>36,910</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Collection of special assessment principal	62,634	-	62,634
Collection of special assessment interest	30,687	-	30,687
Debt service charges	41,028	-	41,028
Acquisition of capital assets	-	(36,800)	(36,800)
Principal payments on capital debt	(100,000)	-	(100,000)
Interest payments on capital debt	<u>(50,806)</u>	<u>-</u>	<u>(50,806)</u>
Net cash used in capital and related financing activities	<u>(16,457)</u>	<u>(36,800)</u>	<u>(53,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>14,335</u>	<u>6,966</u>	<u>21,301</u>
NET INCREASE (DECREASE) IN CASH	20,165	(15,211)	4,954
CASH - BEGINNING	<u>412,216</u>	<u>154,987</u>	<u>567,203</u>
CASH - ENDING	<u>\$ 432,381</u>	<u>\$ 139,776</u>	<u>\$ 572,157</u>

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF CASH FLOWS - proprietary funds (Continued)
Year ended March 31, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (48,578)	\$ (33,637)	\$ (82,215)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	71,371	43,260	114,631
(Increase) decrease in receivables	(2,407)	574	(1,833)
Increase in payables	<u>1,901</u>	<u>4,426</u>	<u>6,327</u>
Net cash provided by operating activities	<u>\$ 22,287</u>	<u>\$ 14,623</u>	<u>\$ 36,910</u>

See notes to the financial statements

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Gun Plain, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. 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.

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. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Cemetery Fund accounts for funds earmarked for the purpose of maintaining cemeteries within the Township.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer and water systems	50 years
Shared road costs	10 - 20 years

iv) 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.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Cemetery	Capital outlay	\$ 3,704	\$15,273	\$ 11,569

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Deposits	\$ 624,393	\$ 572,057	\$ 1,196,450
Cash on hand	1	100	101
Investments	<u>445,105</u>	<u>-</u>	<u>445,105</u>
	<u>\$ 1,069,499</u>	<u>\$ 572,157</u>	<u>\$ 1,641,656</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions (continued):

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, \$997,002 of the Township's bank balances of \$1,201,613 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. 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, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	\$ 351,973
Mutual funds	93,132
	<u>\$ 445,105</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 34,736	2.71
Federal Farm Credit Bank	12,131	1.21
Federal Home Loan Bank	<u>305,105</u>	1.10
	351,972	
Mutual fund:		
U.S. government securities american funds	<u>93,133</u>	N.A.
Total investments	<u>\$ 445,105</u>	

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
U.S. government and agency securities:			
Federal Home Loan Mortgage Corporation	\$ 34,736	AAA	S&P
Federal Farm Credit Bank	12,131	AAA	S&P
Federal Home Loan Bank	<u>305,105</u>	AAA	S&P
	351,972		
Mutual fund:			
U.S. government securities american funds	<u>93,133</u>	N.A.	
Total investments	<u>\$ 445,105</u>		

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investment are as follows:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government agencies:		
Federal Home Loan Mortgage Corporation	34,736	8%
Federal Farm Credit Bank	305,105	69%
Mutual fund - U.S. government securities	<u>93,133</u>	21%
	<u>\$ 432,974</u>	

NOTE 4 - RECEIVABLES:

Receivables as of year-end for the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter-governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental funds:					
General Fund	<u>\$ -</u>	<u>\$ 25,387</u>	<u>\$ 71,772</u>	<u>\$ -</u>	<u>\$ 97,159</u>
Proprietary funds:					
Sewer Fund	\$ 23,415	\$ -	\$ -	\$ 255,285	\$ 278,700
Water Fund	<u>12,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,490</u>
Total proprietary funds	<u>\$ 35,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,285</u>	<u>\$ 291,190</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,200</u>	<u>\$ 221,200</u>

All receivables are considered fully collectible.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 409,367	\$ -	\$ -	\$ 409,367
Shared road costs	216,688	111,664	-	328,352
Equipment and vehicles	<u>673,450</u>	<u>20,204</u>	<u>-</u>	<u>693,654</u>
Subtotal	<u>1,299,505</u>	<u>131,868</u>	<u>-</u>	<u>1,431,373</u>
Less accumulated depreciation:				
Buildings	(139,065)	(8,043)	-	(147,108)
Shared road costs	(19,423)	(24,372)	-	(43,795)
Equipment and vehicles	<u>(446,067)</u>	<u>(52,241)</u>	<u>-</u>	<u>(498,308)</u>
Subtotal	<u>(604,555)</u>	<u>(84,656)</u>	<u>-</u>	<u>(689,211)</u>
Governmental activities capital assets, net	<u>\$ 694,950</u>	<u>\$ 47,212</u>	<u>\$ -</u>	<u>\$ 742,162</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 2,934,870	\$ -	\$ -	\$ 2,934,870
Water system	2,124,791	36,800	-	2,161,591
Office equipment	<u>2,974</u>	<u>-</u>	<u>-</u>	<u>2,974</u>
Subtotal	<u>5,062,635</u>	<u>36,800</u>	<u>-</u>	<u>5,099,435</u>
Less accumulated depreciation:				
Sewer system	(778,799)	(71,371)	-	(850,170)
Water system	(754,457)	(43,260)	-	(797,717)
Office equipment	<u>(2,974)</u>	<u>-</u>	<u>-</u>	<u>(2,974)</u>
Subtotal	<u>(1,536,230)</u>	<u>(114,631)</u>	<u>-</u>	<u>(1,650,861)</u>
Business-type activities capital assets, net	<u>\$ 3,526,405</u>	<u>\$ (77,831)</u>	<u>\$ -</u>	<u>\$ 3,448,574</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

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

Governmental activities:	
General government	\$ 12,753
Public safety	47,531
Public works	<u>24,372</u>
 Total governmental activities	 <u>\$ 84,656</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2007, noncurrent liabilities are comprised of the following individual issues:

Business-type activities:	
Bonds:	
\$690,000 1999 Sewer limited tax general obligation bonds due in annual installments ranging from \$15,000 to \$55,000, plus interest ranging from 4.0% to 5.375%; final payment due November 2019	\$550,000
 \$890,000 1999 Sewer special assessment bonds due in annual installments of \$70,000 plus interest ranging from 3.8% to 4.9%; final payment due September 2012	 <u>420,000</u>
 Total	 <u>\$970,000</u>

Noncurrent liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1999 Sewer assessment bonds	\$ 490,000	\$ -	\$ (70,000)	\$ 420,000	\$ 70,000
1999 Sewer revenue bonds	<u>580,000</u>	<u>-</u>	<u>(30,000)</u>	<u>550,000</u>	<u>30,000</u>
 Total long-term obligations	 <u>\$ 1,070,000</u>	 <u>\$ -</u>	 <u>\$ (100,000)</u>	 <u>\$ 970,000</u>	 <u>\$ 100,000</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2007, debt service requirements were as follows:

<i>Year ended</i> <u>March 31:</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 100,000	\$ 46,382
2009	100,000	41,857
2010	105,000	37,232
2011	105,000	32,297
2012	110,000	27,256
2013 - 2017	290,000	81,007
2018 - 2020	<u>160,000</u>	<u>17,468</u>
Totals	<u>\$ 970,000</u>	<u>\$ 283,499</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

Payables as of year-end for the Township's individual funds are as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:			
General	<u>\$ 21,167</u>	<u>\$ -</u>	<u>\$21,167</u>
Proprietary funds:			
Sewer	<u>\$ 9,951</u>	<u>\$ 13,443</u>	<u>\$23,394</u>
Water	<u>4,426</u>	<u>-</u>	<u>4,426</u>
Total proprietary funds	<u>\$ 14,377</u>	<u>\$ 13,443</u>	<u>\$27,820</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND TRANSFERS:

The interfund transfer for the year ended March 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Cemetery	\$ <u>25,000</u>	General	\$ <u>25,000</u>

This transfer moved unrestricted revenues, collected in the General Fund, to the Cemetery Fund to support cemetery operations.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for its elected officials through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$15,447 for the year ended March 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Gun Plain
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 564,600	\$ 354,300	\$ 358,684	\$ 4,384
Licenses and permits	56,000	73,500	52,424	(21,076)
State grants	380,000	400,000	393,539	(6,461)
Fines and forfeitures	4,000	1,200	4,636	3,436
Interest and rentals	33,500	19,500	50,014	30,514
Other	43,350	51,800	5,153	(46,647)
Total revenues	<u>1,081,450</u>	<u>900,300</u>	<u>864,450</u>	<u>(35,850)</u>
EXPENDITURES				
Legislative	13,790	13,281	13,027	254
General government	356,920	345,801	312,073	33,728
Public safety	211,519	231,379	176,799	54,580
Public works	452,761	288,430	202,367	86,063
Community and economic development	9,400	9,150	3,516	5,634
Culture and recreation	6,860	6,860	6,860	-
Capital outlay	5,200	5,500	1,492	4,008
Total expenditures	<u>1,056,450</u>	<u>900,401</u>	<u>716,134</u>	<u>184,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,000	(101)	148,316	148,417
OTHER FINANCING USES				
Transfer out - Cemetery Fund	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCES	-	(25,101)	123,316	148,417
FUND BALANCES - BEGINNING	<u>950,700</u>	<u>950,700</u>	<u>950,700</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 950,700</u>	<u>\$ 925,599</u>	<u>\$ 1,074,016</u>	<u>\$ 148,417</u>

Charter Township of Gun Plain
BUDGETARY COMPARISON SCHEDULE - Cemetery Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 46,300	\$ 46,300	\$ 49,818	\$ 3,518
Interest	50	50	3,286	3,236
Other	<u>10,330</u>	<u>8,050</u>	<u>-</u>	<u>(8,050)</u>
Total revenues	<u>56,680</u>	<u>54,400</u>	<u>53,104</u>	<u>(1,296)</u>
EXPENDITURES				
General government	79,560	78,298	73,468	4,830
Capital outlay	<u>2,120</u>	<u>3,704</u>	<u>15,273</u>	<u>(11,569)</u>
Total expenditures	<u>81,680</u>	<u>82,002</u>	<u>88,741</u>	<u>(6,739)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(25,000)	(27,602)	(35,637)	(8,035)
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	-	(2,602)	(10,637)	(8,035)
FUND BALANCES - BEGINNING				
	<u>82,112</u>	<u>82,112</u>	<u>82,112</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 82,112</u>	<u>\$ 79,510</u>	<u>\$ 71,475</u>	<u>\$ (8,035)</u>

**Members of the Township Board
Charter Township of Gun Plain, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Gun Plain as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Gun Plain's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Enterprise fund receivable balances for utility charges were not reconciled to their respective general ledger control accounts in a timely manner.
- Monitoring procedures over certain control activities are not in place. Monitoring provides feedback as to the effectiveness of controls.
- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, record changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Gun Plain, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 20, 2007