Charter Township of Gun Plain
Allegan County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended March 31, 2008

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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, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by $287,462 (6 percent) as a result of this year's activities. Net assets of the governmental activities increased by $361,921 and net assets of the business-type activities decreased by $74,459.
- Of the $5,489,216 total net assets reported, $1,649,908 (30 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 $892,669, which represents 104 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 2008 and 2007 is also presented.

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. Property taxes and state shared revenue 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.

- *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 $5,489,216, an increase of 6 percent compared to the prior year. Of this total, $3,366,449 is invested in capital assets and $472,859 is restricted for debt service. Consequently, unrestricted net assets were $1,649,908, or 30 percent of the total.

Condensed financial information
Net Assets

	Governmental activities		*Business-type activities*		*Totals*	
	2008	*2007*	***2008***	*2007*	***2008***	*2007*
Current and other assets	**$1,357,251**	$1,166,658	**$ 807,096**	$ 863,347	**$2,164,347**	$2,030,005
Capital assets	**902,967**	742,162	**3,333,482**	3,448,574	**4,236,449**	4,190,736
Total assets	**2,260,218**	1,908,820	**4,140,578**	4,311,921	**6,400,796**	6,220,741
Current liabilities	**10,644**	21,167	**30,936**	27,820	**41,580**	48,987
Long-term debt outstanding	**-**	-	**870,000**	970,000	**870,000**	970,000
Total liabilities	**10,644**	21,167	**900,936**	997,820	**911,580**	1,018,987
Net assets:						
Invested in capital assets, net of related debt	**902,967**	742,162	**2,463,482**	2,478,574	**3,366,449**	3,220,736
Restricted	**-**	-	**472,859**	578,353	**472,859**	578,353
Unrestricted	**1,346,607**	1,145,491	**303,301**	257,174	**1,649,908**	1,402,665
Total net assets	**$2,249,574**	$1,887,653	**$3,239,642**	$3,314,101	**$5,489,216**	$5,201,754

Changes in net assets. The Township's total revenues are $1,530,408. Over 31 percent of the revenues come from charges for services, primarily from sewer and water services. Nearly 34 percent of the total revenues come from property taxes while state shared revenue accounts for 25 percent of the total revenues.

The total cost of all the Township's programs, covering a wide range of services, totaled $1,242,946. Over 38 percent of the Township's costs relate to the provision of utility services. General government costs account for 34 percent of the Township's total costs and public safety costs represent 19 percent.

Condensed financial information
Changes in Net Assets

	Governmental activities		*Business-type activities*		*Totals*	
	2008	*2007*	***2008***	*2007*	***2008***	*2007*
Program revenues:						
Charges for services	**$ 170,223**	$ 99,264	**$305,913**	$294,481	**$ 476,136**	$ 393,745
Operating grants and contributions	**4,756**	15,976	**-**	-	**4,756**	15,976
Capital grants and contributions	**-**	-	**65,232**	71,715	**65,232**	71,715
General revenues:						
Property taxes	**516,368**	358,684	**-**	-	**516,368**	358,684
State shared revenue	**385,432**	383,477	**-**	-	**385,432**	383,477
Interest	**46,775**	48,600	**20,853**	21,301	**67,628**	69,901
Franchise fees	**14,856**	11,553	**-**	-	**14,856**	11,553
Total revenues	**1,138,410**	**917,554**	**391,998**	**387,497**	**1,530,408**	**1,305,051**
Expenses:						
Legislative	**13,410**	13,027	**-**	-	**13,410**	13,027
General government	**420,543**	394,855	**-**	-	**420,543**	394,855
Public safety	**230,499**	224,330	**-**	-	**230,499**	224,330
Public works	**97,809**	115,075	**-**	-	**97,809**	115,075
Community and economic development	**7,368**	3,516	**-**	-	**7,368**	3,516
Culture and recreation	**6,860**	6,860	**-**	-	**6,860**	6,860
Sewer	**-**	-	**312,807**	292,922	**312,807**	292,922
Water	**-**	-	**153,650**	133,223	**153,650**	133,223
Total expenses	**776,489**	**757,663**	**466,457**	**426,145**	**1,242,946**	**1,183,808**
Increase (decrease) in net assets	**$ 361,921**	**$159,891**	**$ (74,459)**	**$ (38,648)**	**$ 287,462**	**$ 121,243**

Governmental activities

Governmental activities increased the Township's net assets by $361,921 during the current fiscal year compared to a $159,891 increase in the prior year. The increase in net assets was higher this year primarily due to a new road millage of approximately $199,000 in tax revenues, used to finance road improvements. Expenses increased compared to the prior year, but only by $18,826, or 2.5 percent. Net assets have increased because revenues have been sufficient to finance the full cost of governmental operations each year.

Business-type activities

Business-type activities decreased the Township's net assets by $74,459 during the current fiscal year compared to a $38,648 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 $1,346,607, an increase of $201,116 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 $1,269,035, which represents approximately 104 percent of the actual total expenditures of the General Fund for the current fiscal year. The fund balance of the General Fund increased by $195,019 primarily because expenditures are not keeping pace with the growth in revenue.

The Cemetery Fund experienced an increase in fund balance of $6,097, which includes a transfer in of $25,000. Fund balance, in the amount of $77,572, represents a healthy 96 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 $39,527 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 $1,762,860 at year-end of which $146,672 was unrestricted.

The Water Fund experienced a decrease in net assets in the amount of $34,932 because, like the Sewer Fund, charges for services are not sufficient to cover all operating costs. Net assets were $1,476,782 at year-end of which $156,629 were unrestricted.

General Fund budgetary highlights

The Board did not amend the budget of the General Fund during the year.

Revenues were $1,839 less than budgeted while expenditures were $212,407 less than budgeted, which resulted in a $210,568 positive budget variance and a $195,019 increase in fund balance compared to a budgeted $15,549 decrease.

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, 2008, amounts to $4,236,449 (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 increase in the Township's net investment in capital assets for the current fiscal year was $45,713.

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

- Road improvements totaling $253,350
- Purchase of office equipment for $1,367

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 $870,000, which represents a decrease of $100,000.

During the year ended March 31, 2008, 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 $1,220,157 which includes a significant road improvement project. Due to this capital project, the Township expects to use up to $350,000 of the current fund balance.

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:

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Charter Township of Gun Plain
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Plainwell, MI 49080

Phone: (269) 685-9471

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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, each major fund, and the aggregate remaining fund information of the Charter Township of Gun Plain, Michigan, as of March 31, 2008, 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, each major fund, and the aggregate remaining fund information of the Charter Township of Gun Plain, Michigan, as of March 31, 2008, 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 15, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of Gun Plain
STATEMENT OF NET ASSETS
March 31, 2008

	Governmental activities	*Business-type activities*	*Totals*
ASSETS			
Current assets:			
Cash	$ 1,158,417	$ 574,818	$ 1,733,235
Investments	87,993	-	87,993
Receivables	110,841	92,018	202,859
Total current assets	1,357,251	666,836	2,024,087
Noncurrent assets:			
Receivables	-	140,260	140,260
Capital assets, net	902,967	3,333,482	4,236,449
Total noncurrent assets	902,967	3,473,742	4,376,709
Total assets	2,260,218	4,140,578	6,400,796
LIABILITIES			
Current liabilities:			
Payables	10,644	30,936	41,580
Bonds payable	-	100,000	100,000
Total current liabilities	10,644	130,936	141,580
Noncurrent liabilities - bonds payable	-	770,000	770,000
Total liabilities	10,644	900,936	911,580
NET ASSETS			
Invested in capital assets, net of related debt	902,967	2,463,482	3,366,449
Restricted for debt service	-	472,859	472,859
Unrestricted	1,346,607	303,301	1,649,908
Total net assets	$ 2,249,574	$ 3,239,642	$ 5,489,216

See notes to the financial statements

Charter Township of Gun Plain

STATEMENT OF ACTIVITIES

Year ended March 31, 2008

Functions/Programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions
Governmental activities:				
Legislative	$ 13,410	$ -	$ -	$ -
General government	420,543	133,843	-	-
Public safety	230,499	33,345	-	-
Public works	97,809	-	4,756	-
Community and economic development	7,368	3,035	-	-
Recreation and culture	6,860	-	-	-
Total governmental activities	776,489	170,223	4,756	-
Business-type activities:				
Sewer	312,807	192,955	-	65,232
Water	153,650	112,958	-	-
Total business-type activities	466,457	305,913	-	65,232
Totals	$ 1,242,946	$ 476,136	$ 4,756	$ 65,232

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		
Governmental activities	***Business-type activities***	***Totals***
$ (13,410)		$ (13,410)
(286,700)		(286,700)
(197,154)		(197,154)
(93,053)		(93,053)
(4,333)		(4,333)
(6,860)		(6,860)
(601,510)		(601,510)
	$ (54,620)	(54,620)
	(40,692)	(40,692)
	(95,312)	(95,312)
(601,510)	(95,312)	(696,822)
516,368	-	516,368
385,432	-	385,432
46,775	20,853	67,628
14,856	-	14,856
963,431	20,853	984,284
361,921	(74,459)	287,462
1,887,653	3,314,101	5,201,754
$ 2,249,574	$ 3,239,642	$ 5,489,216

See notes to the financial statements

Charter Township of Gun Plain

BALANCE SHEET - *governmental funds*

March 31, 2008

	Major fund	*Nonmajor fund*	*Total governmental*
	General	*Cemetery*	*funds*
ASSETS			
Cash	$ 1,080,173	$ 78,244	$ 1,158,417
Investments	87,993	-	87,993
Receivables	110,841	-	110,841
Total assets	$ 1,279,007	$ 78,244	$ 1,357,251
LIABILITIES AND FUND BALANCES			
Liabilities - payables	$ 9,972	$ 672	$ 10,644
Fund balances - unreserved:			
Designated	376,366	-	376,366
Undesignated	892,669	77,572	970,241
Total fund balances	1,269,035	77,572	1,346,607
Total liabilities and fund balances	$ 1,279,007	$ 78,244	$ 1,357,251

Total fund balances - governmental funds	$ 1,346,607
Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:	
Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.	902,967
Net assets of *governmental activities*	$ 2,249,574

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, 2008

	Major fund	*Nonmajor fund*	*Total governmental funds*
	General	*Cemetery*	
REVENUES			
Property taxes	$ 586,592	$ -	$ 586,592
Licenses and permits	49,520	-	49,520
State grants	390,188	-	390,188
Charges for services	-	59,110	59,110
Fines and forfeitures	1,716	-	1,716
Interest and rentals	47,738	2,548	50,286
Other	4,458	259	4,717
Total revenues	1,080,212	61,917	1,142,129
EXPENDITURES			
Legislative	13,410	-	13,410
General government	327,660	78,706	406,366
Public safety	182,968	-	182,968
Public works	318,960	-	318,960
Community and economic development	7,368	-	7,368
Recreation and culture	6,860	-	6,860
Capital outlay	2,967	2,114	5,081
Total expenditures	860,193	80,820	941,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	220,019	(18,903)	201,116
OTHER FINANCING SOURCES (USES)			
Transfers in	-	25,000	25,000
Transfers out	(25,000)	-	(25,000)
Total other financing sources (uses)	(25,000)	25,000	-
NET CHANGE IN FUND BALANCES	195,019	6,097	201,116
FUND BALANCES - BEGINNING	1,074,016	71,475	1,145,491
FUND BALANCES - ENDING	$ 1,269,035	$ 77,572	$ 1,346,607

See notes to the financial statements

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

Year ended March 31, 2008

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	$	201,116
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		254,717
Deduct - depreciation expense		(93,912)
Change in net assets of *governmental activities*	$	361,921

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF NET ASSETS - *proprietary funds*
March 31, 2008

	Sewer	*Water*	*Totals*
ASSETS			
Current assets:			
Cash	$ 423,416	$ 151,402	$ 574,818
Receivables	81,878	10,140	92,018
Total current assets	505,294	161,542	666,836
Noncurrent assets:			
Receivables	140,260	-	140,260
Capital assets, net of accumulated depreciation	2,013,329	1,320,153	3,333,482
Total noncurrent assets	2,153,589	1,320,153	3,473,742
Total assets	2,658,883	1,481,695	4,140,578
LIABILITIES			
Current liabilities:			
Payables	26,023	4,913	30,936
Bonds payable	100,000	-	100,000
Total current liabilities	126,023	4,913	130,936
Noncurrent liabilities - bonds payable	770,000	-	770,000
Total liabilities	896,023	4,913	900,936
NET ASSETS			
Invested in capital assets, net of related debt	1,143,329	1,320,153	2,463,482
Restricted for debt service	472,859	-	472,859
Unrestricted	146,672	156,629	303,301
Total net assets	$ 1,762,860	$ 1,476,782	$ 3,239,642

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, 2008

	Sewer	*Water*	*Totals*
OPERATING REVENUES			
Charges for services	$ 192,955	$ 112,958	$ 305,913
OPERATING EXPENSES			
Personnel	4,382	7,888	12,270
Supplies	1,189	9,541	10,730
Contracted services	4,300	3,023	7,323
System operation and maintenance	51,325	51,667	102,992
Insurance	3,000	3,000	6,000
Utilities	14,053	9,032	23,085
Flow charges	117,649	-	117,649
Water fees	-	25,779	25,779
Depreciation	71,371	43,720	115,091
Total operating expenses	267,269	153,650	420,919
Operating loss	(74,314)	(40,692)	(115,006)
NONOPERATING REVENUES (EXPENSES)			
Debt service charges	41,015	-	41,015
Special assessment interest	24,217	-	24,217
Interest revenue	15,093	5,760	20,853
Interest expense	(45,538)	-	(45,538)
Total nonoperating revenues	34,787	5,760	40,547
CHANGE IN NET ASSETS	(39,527)	(34,932)	(74,459)
NET ASSETS - BEGINNING	1,802,387	1,511,714	3,314,101
NET ASSETS - ENDING	$ 1,762,860	$ 1,476,782	$ 3,239,642

See notes to the financial statements

Charter Township of Gun Plain

STATEMENT OF CASH FLOWS - *proprietary funds*

Year ended March 31, 2008

	Sewer	*Water*	*Totals*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 193,765	$ 115,308	$ 309,073
Payments to vendors and suppliers	(188,044)	(101,554)	(289,598)
Payments to employees	(4,382)	(7,888)	(12,270)
Net cash provided by operating activities	1,339	5,866	7,205
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Collection of special assessment principal	55,752	-	55,752
Collection of special assessment interest	24,217	-	24,217
Debt service charges	41,015	-	41,015
Principal payments on capital debt	(100,000)	-	(100,000)
Interest payments on capital debt	(46,381)	-	(46,381)
Net cash used in capital and related financing activities	(25,397)	-	(25,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	15,093	5,760	20,853
NET INCREASE (DECREASE) IN CASH	(8,965)	11,626	2,661
CASH - BEGINNING	432,381	139,776	572,157
CASH - ENDING	$ 423,416	$ 151,402	$ 574,818

See notes to the financial statements

Charter Township of Gun Plain

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended March 31, 2008

	Sewer	*Water*	*Totals*
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (74,314)	$ (40,692)	$ (115,006)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	71,371	43,720	115,091
Decrease in receivables	810	2,350	3,160
Increase in payables	3,472	488	3,960
Net cash provided by operating activities	$ 1,339	$ 5,866	$ 7,205

See notes to the 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.

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 fund:

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 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.

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.

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. The Township had no significant budget variances during the fiscal year.

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	Governmental activities	*Business-type activities*	*Totals*
Deposits	$ 1,158,417	$ 574,718	$ 1,733,135
Cash on hand	-	100	100
Investments	87,993	-	87,993
	$ 1,246,410	$ 574,818	$ 1,821,228

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.

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. As of March 31, 2008, $1,345,819 of the Township's bank balances of $1,777,820 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. Investments are reported at fair value.

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:

Investment type	*Carrying amount*
U.S. government and agency securities	$ 37,181
Mutual funds	50,812
	$ 87,993

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:

Investment type	*Fair value*	*Weighted average maturity (in years)*
U.S. government and agency securities:		
Federal Farm Credit Bank	$ 12,087	2.37
Federal Home Loan Bank	25,094	2.08
	37,181	
Mutual fund:		
U.S. government securities american funds	50,812	NA
Total investments	$ 87,993	

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:

Investment type	*Fair value*	*Rating*	*Rating organization*
U.S. government and agency securities:			
Federal Farm Credit Bank	$ 12,087	AAA	S&P
Federal Home Loan Bank	25,094	AAA	S&P
	37,181		
Mutual fund:			
U.S. government securities american funds	50,812	NA	
Total investments	$ 87,993		

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:

Issuer	*Fair value*	*Percentage*
U.S. government agencies:		
Federal Home Loan Bank Corporation	$ 12,087	13%
Federal Farm Credit Bank	25,094	29%
Mutual fund - U.S. government securities	50,812	58%
	$ 87,993	

NOTE 4 - RECEIVABLES:

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

Fund	*Accounts*	*Property taxes*	*Inter-governmental*	*Special assessments*	*Totals*
Governmental funds:					
General Fund	$ 6,000	$ 44,277	$ 60,564	$ -	$ 110,841
Proprietary funds:					
Sewer Fund	$ 22,606	$ -	$ -	$ 199,532	$ 222,138
Water Fund	10,140	-	-	-	10,140
Total proprietary funds	$ 32,746	$ -	$ -	$ 199,532	$ 232,278
Noncurrent portion	$ -	$ -	$ -	$ 140,260	$ 140,260

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets being depreciated:				
Buildings	$ 409,367	$ -	$ -	$ 409,367
Shared road costs	328,352	253,350	-	581,702
Equipment and vehicles	693,654	1,367	-	695,021
Subtotal	1,431,373	254,717	-	1,686,090
Less accumulated depreciation:				
Buildings	(147,108)	(8,043)	-	(155,151)
Shared road costs	(43,795)	(35,919)	-	(79,714)
Equipment and vehicles	(498,308)	(49,950)	-	(548,258)
Subtotal	(689,211)	(93,912)	-	(783,123)
Governmental activities capital assets, net	$ 742,162	$ 160,805	$ -	$ 902,967
Business-type activities:				
Capital assets being depreciated:				
Sewer system	$ 2,934,870	$ -	$ -	$ 2,934,870
Water system	2,161,591	-	-	2,161,591
Office equipment	2,974	-	-	2,974
Subtotal	5,099,435	-	-	5,099,435
Less accumulated depreciation:				
Sewer system	(850,170)	(71,371)	-	(921,541)
Water system	(797,718)	(43,720)	-	(841,438)
Office equipment	(2,974)	-	-	(2,974)
Subtotal	(1,650,862)	(115,091)	-	(1,765,953)
Business-type activities capital assets, net	$ 3,448,573	$ (115,091)	$ -	$ 3,333,482

NOTE 5 - CAPITAL ASSETS (Continued):

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

Governmental activities:	
General government	$ 10,462
Public safety	47,531
Public works	35,919
Total governmental activities	$ 93,912

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2008, 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.	$ 520,000
$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.	350,000
Total	$ 870,000

Noncurrent liability activity for the year ended March 31, 2008, was as follows:

	Beginning balance	*Additions*	*Reductions*	*Ending balance*	*Amounts due within one year*
Business-type activities:					
1999 Sewer assessment bonds	$ 420,000	$ -	$ (70,000)	$ 350,000	$ 70,000
1999 Sewer revenue bonds	550,000	-	(30,000)	520,000	30,000
Total long-term obligations	$ 970,000	$ -	$ (100,000)	$ 870,000	$ 100,000

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2008, debt service requirements were as follows:

Year ended March 31:	*Business-type activities*	
	Principal	*Interest*
2009	$ 100,000	$ 41,857
2010	105,000	37,232
2011	105,000	32,297
2012	110,000	27,256
2013	110,000	20,146
2014 - 2018	230,000	69,461
2019 - 2020	110,000	8,868
Totals	$ 870,000	$ 237,117

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:

	Accounts	*Interest*	*Totals*
Governmental funds:			
General	$ 9,972	$ -	$ 9,972
Nonmajor fund	672	-	672
Total governmental funds	$ 10,644	$ -	$ 10,644
Proprietary funds:			
Sewer	$ 13,423	$ 12,600	$ 26,023
Water	4,913	-	4,913
Total proprietary funds	$ 18,336	$ 12,600	$ 30,936

NOTE 8 - INTERFUND TRANSFERS:

The interfund transfer for the year ended March 31, 2008, is as follows:

Fund	*Transfer in*	*Fund*	*Transfer out*
Cemetery	$ 25,000	General	$ 25,000

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 $12,594 for the year ended March 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Gun Plain

BUDGETARY COMPARISON SCHEDULE - *General Fund*

Year ended March 31, 2008

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Property taxes	$ 564,600	$ 564,600	$ 586,592	$ 21,992
Licenses and permits	56,000	56,000	49,520	(6,480)
State grants	380,601	380,601	390,188	9,587
Fines and forfeitures	4,000	4,000	1,716	(2,284)
Interest and rentals	33,500	33,500	47,738	14,238
Other	43,350	43,350	4,458	(38,892)
Total revenues	1,082,051	1,082,051	1,080,212	(1,839)
EXPENDITURES				
Legislative	13,790	13,790	13,410	380
General government	373,070	373,070	327,660	45,410
Public safety	211,519	211,519	182,968	28,551
Public works	452,761	452,761	318,960	133,801
Community and economic development	9,400	9,400	7,368	2,032
Recreation and culture	6,860	6,860	6,860	-
Capital outlay	5,200	5,200	2,967	2,233
Total expenditures	1,072,600	1,072,600	860,193	212,407
EXCESS OF REVENUES OVER EXPENDITURES	9,451	9,451	220,019	210,568
OTHER FINANCING USES				
Transfer out - Cemetery Fund	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCES	(15,549)	(15,549)	195,019	210,568
FUND BALANCES - BEGINNING	1,074,016	1,074,016	1,074,016	-
FUND BALANCES - ENDING	$ 1,058,467	$ 1,058,467	$ 1,269,035	$ 210,568

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July 15, 2008

To the Board of Trustees
Charter Township of Gun Plain

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Gun Plain for the year ended March 31, 2008, and have issued our report thereon dated July 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Gun Plain are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Charter Township of Gun Plain during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

50th ANNIVERSARY
1958-2008

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Gun Plain's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of Gun Plain as of and for the year ended March 31, 2008, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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

- Enterprise fund receivable balances for utility charges and special assessments were not reconciled to their respective general ledger control accounts in a timely manner. This is a recurring comment.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the 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.