

TOWNSHIP OF MARENGO
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marengo	County Calhoun
Audit Date March 31, 2007	Opinion Date July 10, 2007	Date Accountant Report Submitted to State: July 17, 2007	

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

We affirm that:

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

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

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 10, 2007

To the Township Board
Township of Marengo
Calhoun County, Michigan

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Marengo, Calhoun County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Marengo covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$898,183.96 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$319,320.78 from governmental activities.

Taxable value for 2004 was \$53,939,015.00, 2005 was \$56,632,434.00 and 2006 was \$59,460,114.00.

Our Township Millage Tax Rate for 2006 was 1.0000.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township obtained cemetery land at \$2,500.00 and a cemetery building at \$2,500.00.

Road improvements were made.

Our cash position in the governmental activities remains healthy. We do not carry any debts.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was fire protection, which incurred expenses of \$72,332.49.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township recorded \$5,000.00 on new capital assets.

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

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

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Treasurer at 13995 – 23 Mile Road, Albion, Michigan 49224, or at 269-781-8422 or fax 269-781-9862.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	647 461 05
Taxes receivable	<u>5 315 68</u>
Total Current Assets	<u>652 776 73</u>
NON-CURRENT ASSETS:	
Capital Assets	498 287 11
Less: Accumulated Depreciation	<u>(252 879 88)</u>
Total Non-current Assets	<u>245 407 23</u>
TOTAL ASSETS	<u><u>898 183 96</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	245 407 23
Reserved for cemetery	22 559 42
Unrestricted	<u>630 217 31</u>
Total Net Assets	<u>898 183 96</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>898 183 96</u></u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	8 051 48	-	(8 051 48)
General government	115 987 91	-	(115 987 91)
Public safety	118 892 04	48 679 54	(70 212 50)
Public works	<u>17 324 19</u>	<u>3 250 49</u>	<u>(14 073 70)</u>
Total Governmental Activities	<u>260 255 62</u>	<u>51 930 03</u>	<u>(208 325 59)</u>
General Revenues:			
Property taxes			59 915 32
State revenue sharing			149 711 09
Interest			24 852 47
Miscellaneous			<u>32 911 87</u>
Total General Revenues			<u>267 390 75</u>
Change in net assets			59 065 16
Net assets, beginning of year			<u>839 118 80</u>
Net Assets, End of Year			<u>898 183 96</u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	619 688 21	22 559 42	642 247 63
Taxes receivable	5 315 68	-	5 315 68
Due from other funds	<u>5 213 42</u>	<u>-</u>	<u>5 213 42</u>
Total Assets	<u><u>630 217 31</u></u>	<u><u>22 559 42</u></u>	<u><u>652 776 73</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	22 559 42	22 559 42
Unreserved:			
Undesignated	<u>630 217 31</u>	<u>-</u>	<u>630 217 31</u>
Total fund equity	<u><u>630 217 31</u></u>	<u><u>22 559 42</u></u>	<u><u>652 776 73</u></u>
Total Liabilities and Fund Equity	<u><u>630 217 31</u></u>	<u><u>22 559 42</u></u>	<u><u>652 776 73</u></u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	652 776 73
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	498 287 11
Accumulated depreciation	<u>(252 879 88)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>898 183 96</u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	59 915 32	-	59 915 32
Licenses and permits	16 479 54	-	16 479 54
State revenue sharing	149 711 09	-	149 711 09
Charges for services	32 200 00	-	32 200 00
Interest	23 975 82	876 65	24 852 47
Special assessments	3 250 49	-	3 250 49
Miscellaneous	21 011 06	11 900 81	32 911 87
Total revenues	<u>306 543 32</u>	<u>12 777 46</u>	<u>319 320 78</u>
Expenditures:			
Legislative:			
Township Board	8 051 48	-	8 051 48
General government:			
Supervisor	10 050 00	-	10 050 00
Elections	3 651 66	-	3 651 66
Assessor	15 460 00	-	15 460 00
Audit and attorney	43 238 04	-	43 238 04
Clerk	17 739 59	-	17 739 59
Board of Review	607 15	-	607 15
Treasurer	14 223 47	-	14 223 47
Cemetery	11 018 00	-	11 018 00
Public safety:			
Fire protection	72 332 49	-	72 332 49
Protective inspection	8 259 00	-	8 259 00
Planning and zoning	8 312 50	-	8 312 50
Public works:			
Drains	418 33	-	418 33
Highways and streets	13 030 20	-	13 030 20
Street lights	3 875 66	-	3 875 66
Capital outlay	5 000 00	-	5 000 00
Total expenditures	<u>235 267 57</u>	<u>-</u>	<u>235 267 57</u>
Excess of revenues over expenditures	71 275 75	12 777 46	84 053 21
Fund balances, April 1	<u>558 941 56</u>	<u>9 781 96</u>	<u>568 723 52</u>
Fund Balances, March 31	<u>630 217 31</u>	<u>22 559 42</u>	<u>652 776 73</u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	84 053 21
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(29 988 05)
Capital Outlay	<u>5 000 00</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>59 065 16</u></u>

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

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

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 1.0000 mills, and the taxable value was \$59,460,114.00.

Encumbrances

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	3-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

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

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

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

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

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

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

	<u>Carrying Amounts</u>
Total Deposits	<u>647,461.05</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	275,942.24
Uninsured and Uncollateralized	<u>377,227.58</u>
Total Deposits	<u>653,169.82</u>

The Township of Marengo did not have any investments as of March 31, 2007.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

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

	<u>Balance</u> 4/1/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 3/31/07
<u>Governmental Activities:</u>				
Land	21 500 00	2 500 00	-	24 000 00
Buildings	50 000 00	2 500 00	-	52 500 00
Equipment	<u>421 787 11</u>	<u>-</u>	<u>-</u>	<u>421 787 11</u>
Total	493 287 11	5 000 00	-	498 287 11
Accumulated Depreciation	<u>(222 891 83)</u>	<u>(29 988 05)</u>	<u>-</u>	<u>(252 879 88)</u>
Net Capital Assets	<u><u>270 395 28</u></u>	<u><u>(24 988 05)</u></u>	<u><u>-</u></u>	<u><u>245 407 23</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

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

Note 8 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$8,258.50 and building permit expenses of \$8,259.00.

Note 9 – Budget Variances

During the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total</u> <u>Budget</u>	<u>Total</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u>
<u>General Fund Activity:</u>			
Assessor	15 000 00	15 460 00	460 00
Audit and attorney	27 600 00	43 238 04	15 638 04
Cemetery	9 500 00	11 018 00	1 518 00
Street lights	3 100 00	3 875 66	775 66
Capital outlay	2 500 00	5 000 00	2 500 00

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	54 578 93	54 578 93	59 915 32	5 336 39
Licenses and permits	15 000 00	15 000 00	16 479 54	1 479 54
State revenue sharing	151 000 00	151 000 00	149 711 09	(1 288 91)
Charges for services:				
Fire protection	23 800 00	23 800 00	32 200 00	8 400 00
Interest	15 000 00	15 000 00	23 975 82	8 975 82
Special assessments	3 367 00	3 367 00	3 250 49	(116 51)
Miscellaneous	13 300 00	13 300 00	21 011 06	7 711 06
Total revenues	276 045 93	276 045 93	306 543 32	30 497 39
Expenditures:				
Legislative:				
Township Board	8 830 00	10 080 00	8 051 48	(2 028 52)
General government:				
Supervisor	10 500 00	10 500 00	10 050 00	(450 00)
Elections	8 000 00	8 000 00	3 651 66	(4 348 34)
Assessor	15 000 00	15 000 00	15 460 00	460 00
Audit and attorney	27 600 00	27 600 00	43 238 04	15 638 04
Clerk	20 030 00	20 030 00	17 739 59	(2 290 41)
Board of Review	950 00	950 00	607 15	(342 85)
Treasurer	16 325 00	15 075 00	14 223 47	(851 53)
Cemetery	9 500 00	9 500 00	11 018 00	1 518 00
Public safety:				
Fire protection	100 120 00	101 170 00	72 332 49	(28 837 51)
Protective inspection	16 000 00	16 000 00	8 259 00	(7 741 00)
Planning and zoning	5 000 00	10 460 00	8 312 50	(2 147 50)
Public works:				
Drains	2 000 00	2 000 00	418 33	(1 581 67)
Highways and streets	20 000 00	16 340 00	13 030 20	(3 309 80)
Street lights	3 100 00	3 100 00	3 875 66	775 66
Capital outlay	4 500 00	2 500 00	5 000 00	2 500 00
Total expenditures	267 455 00	268 305 00	235 267 57	(33 037 43)
Excess (deficiency) of revenues over expenditures	8 590 93	7 740 93	71 275 75	63 534 82
Fund balance, April 1	-	-	558 941 56	558 941 56
Fund Balance, March 31	8 590 93	7 740 93	630 217 31	622 476 38

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:		
Salaries	3 040 00	
Memberships and dues	1 129 63	
Supplies	499 95	
Payroll taxes	2 724 49	
Miscellaneous	<u>657 41</u>	
	<u>8 051 48</u>	
Supervisor:		
Salary	10 000 00	
Miscellaneous	<u>50 00</u>	
	<u>10 050 00</u>	
Elections:		
Wages	2 128 00	
Supplies	1 377 39	
Printing and publishing	<u>146 27</u>	
	<u>3 651 66</u>	
Assessor:		
Contracted services	14 500 00	
Miscellaneous	<u>960 00</u>	
	<u>15 460 00</u>	
Audit and attorney:		
Professional services	<u>43 238 04</u>	
Clerk:		
Salary	11 050 00	
Salary – Deputy Clerk	2 480 00	
Supplies	1 970 92	
Telephone	1 307 05	
Printing and publishing	<u>931 62</u>	
	<u>17 739 59</u>	
Board of Review:		
Per diem	562 50	
Miscellaneous	<u>44 65</u>	
	<u>607 15</u>	
Treasurer:		
Salary	10 000 00	
Salary – Deputy Treasurer	1 620 00	
Supplies	407 42	
Tax roll preparation	<u>2 196 05</u>	
	<u>14 223 47</u>	
Cemetery:		
Sexton	1 150 00	
Contracted services	1 000 00	
Repairs and maintenance	<u>8 868 00</u>	
	<u>11 018 00</u>	

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Fire protection:	
Salaries and wages	23 805 81
Training	7 048 00
Supplies	245 25
Gas and oil	1 474 00
Clothing	3 075 78
Insurance	26 755 12
Utilities	3 545 05
Repairs and maintenance	5 109 33
Miscellaneous	1 274 15
	<u>72 332 49</u>
Protective inspection:	
Contracted services	<u>8 259 00</u>
Planning and zoning:	
Zoning Administrator	1 800 00
Planning Commission	6 095 00
Miscellaneous	417 50
	<u>8 312 50</u>
Drains	<u>418 33</u>
Highways and streets	<u>13 030 20</u>
Street lighting:	
Utilities	<u>3 875 66</u>
Capital outlay	<u>5 000 00</u>
Total Expenditures	<u><u>235 267 57</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2007

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Cash in bank	<u>22 559 42</u>
Total Assets	<u>22 559 42</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances: Reserved	<u>22 559 42</u>
Total Liabilities and Fund Balances	<u>22 559 42</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2007

	<u>Cemetery Perpetual Care</u>
Revenues:	
Interest	876 65
Miscellaneous	<u>11 900 81</u>
Total revenues	<u>12 777 46</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	12 777 46
Fund balance, April 1	<u>9 781 96</u>
Fund Balance, March 31	<u><u>22 559 42</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>1 253 38</u>	<u>1 933 174 76</u>	<u>1 929 214 72</u>	<u>5 213 42</u>
<u>Liabilities</u>				
Due to other funds	-	66 619 81	61 406 39	5 213 42
Due to other units	<u>1 253 38</u>	<u>1 866 554 95</u>	<u>1 867 808 33</u>	<u>-</u>
Total Liabilities	<u>1 253 38</u>	<u>1 933 174 76</u>	<u>1 929 214 72</u>	<u>5 213 42</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash on hand and in bank – beginning of year	<u>1 253 38</u>
Cash receipts:	
Property taxes	1 933 074 26
Trailer park fees	<u>100 50</u>
Total cash receipts	<u>1 933 174 76</u>
Total beginning balance and cash receipts	<u>1 934 428 14</u>
Cash disbursements:	
Calhoun County	696 993 92
Calhoun County Intermediate School District	339 458 16
Marshall Public Schools	191 930 91
Albion Public Schools	10 336 77
Mar-Lee Public Schools	284 409 91
Kellogg Community College	202 944 12
Marshall District Library	111 056 33
Marshall Fire and Ambulance	27 352 76
Township General Fund	61 406 39
Refunds	<u>3 325 45</u>
Total cash disbursements	<u>1 929 214 72</u>
Cash on Hand and in Bank – End of Year	<u><u>5 213 42</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 10, 2007

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the financial statements of the Township of Marengo for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

To the Township Board
Township of Marengo
Calhoun County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

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

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants