Township of Bingham
Clinton County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

Township of Bingham

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March 31, 2008

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Bingham
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bingham, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of 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 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 misstatements. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bingham, 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 accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 9, 2009

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

Financial Reporting

This discussion and analysis of the Township's financial performance provides an 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

Government-wide:

- Total net assets were $6,088,509.
- Governmental activities net assets were $1,040,573.
- Business-type activity net assets were $5,047,936.

Fund Level:

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of $869,287, all of which is unreserved and undesignated in the applicable funds.
- The General Fund realized $59,214 more in revenues than anticipated for the fiscal year mainly due to tax and state shared revenues being more than was budgeted.
- Overall, the General Fund fund balance increased by a net of $41,703 to $401,523 and the Roads and Bridges Special Revenue Fund fund balance increased by $137,583 to $347,407.

Capital and Long-term Debt Activities:

- The Township issued no new debt for the year.
- The total long-term debt for the Township was $4,716,649 with a net reduction of $467,069 from the prior year.
- The Township remains below its authorized legal debt limit.
- The total net change to the capital asset schedule for the Township was a reduction of $104,576.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to Bingham Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of Bingham Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting,* similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the Township's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Township's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the Township's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Township's general government, public safety, public works, and other Township-wide official operations are reported under these activities.

- ***Business-type Activities*** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The Water Fund and the Sewer Fund are examples of these activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, reconciliations are presented between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

- Long-term liabilities, such as amounts related to bonded debt, contracts, installment purchase agreements, etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bingham Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bingham Township acts solely as a trustee or agent for the benefit of those outside the government.

The fund financial statements provide information on the Township's significant (major) funds, and aggregated nonmajor fund. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Township include the General Fund and the Road and Bridges Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bingham Township maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Roads and Bridges Fund, which are considered to be major funds. Data for the other governmental fund is presented into a single, aggregated presentation. Since there is only one (1) nonmajor fund, it is reported as such in the front of the financial statements.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and the major governmental fund to demonstrate compliance with this budget.

Proprietary Funds. Bingham Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund and the major governmental fund budgetary comparison schedules.

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of March 31, 2007 and March 31, 2008.

	Governmental Activities		Business-type Activities		Total Government	
	2007	2008	2007	2008	2007	2008
Assets						
Current and Other Assets	$ 699,338	$ 1,002,269	$ 2,391,266	$ 2,182,489	$ 3,090,604	$ 3,184,758
Capital Assets	68,646	66,516	7,945,674	7,661,910	8,014,320	7,728,426
Total Assets	767,984	1,068,785	10,336,940	9,844,399	11,104,924	10,913,184
Liabilities						
Current Liabilities	9,337	28,212	2,531,389	363,814	2,540,726	392,026
Noncurrent Liabilities	-	-	4,899,718	4,432,649	4,899,718	4,432,649
Total Liabilities	9,337	28,212	7,431,107	4,796,463	7,440,444	4,824,675
Net Assets						
Invested capital assets, net of related debt	68,646	66,516	2,761,956	2,945,261	2,830,602	3,011,777
Restricted	330,181	467,764	-	-	330,181	467,764
Unrestricted	359,820	506,293	143,877	2,102,675	503,697	2,608,968
Total Net Assets	$ 758,647	$ 1,040,573	$ 2,905,833	$ 5,047,936	$ 3,664,480	$ 6,088,509

Net assets may serve over time as a useful indicator of a government's financial position. Bingham Township's assets exceeded liabilities by $6,088,509 as of March 31, 2008. The most significant portion of the Township's net assets (49 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (8 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets $2,608,968 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net assets decreased by $71,725 during the current year as indicated on the following page.

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Revenue						
Program Revenues						
Charges for Services	$ 1,610	$ 7,387	$ 770,806	$ 140,385	$ 772,416	$ 147,772
Operating Grants and Contributions	866	5,133	30,220	38,572	202,314	43,705
Capital Grants and Contributions	-	-	1,200,000	-	1,200,000	-
General Revenues						
Property Taxes	294,373	305,215	-	-	294,373	305,215
State Shared Revenue	171,228	172,100	-	-	85,379	172,100
Investment Earnings	16,509	10,552	99,594	125,113	116,103	135,665
Licenses and Permits	6,341	-	-	-	6,341	-
Miscellaneous	95,567	13,447	(85,379)	14,359	(75,191)	27,806
Total Revenue	586,494	513,834	2,015,241	318,429	2,601,735	832,263
Program Expenses						
General Government	166,738	115,007	-	-	166,738	115,007
Public Safety	129,951	104,737	-	-	129,951	104,737
Public Works	105,975	40,606	-	-	105,975	40,606
Health and Welfare	1,100	12,480	-	-	1,100	12,480
Recreation & Culture	6,240	650	-	-	6,240	650
Sewer		-	392,624	328,649	392,624	328,649
Water		-	147,873	279,681	147,873	279,681
Other	-	22,178	-	-	-	22,178
Total Program Expenses	410,004	295,658	540,497	608,330	950,501	903,988
Change in Net Assets	$ 176,490	$ 218,176	$ 1,474,744	$(289,901)	$ 1,651,234	$(71,725)

Governmental Activities

Governmental activities increased the Township's net assets by $218,176 during fiscal year 2008. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled $513,834, a decrease from the prior year governmental activities' revenue of $72,660. The Township's revenue sources decreased approximately 12%. This decrease was primarily related to a transfer in 06/07 that was a one-time transfer to the general fund for $85,379. Factoring out this transfer, total other revenues increased slightly by $12,719. In 2008, property tax revenue received by the Township increased by $10,842.

The Township incurred governmental expenses of $295,658 during 2008, a decrease of $114,346 or approximately 28% from 2007. The majority of these expenses are associated with providing general government services; public safety, which includes fire services; and public works projects, including road projects and bridgework that was down $67,708.

Business-type Activities

Business-type activities decreased the Township's net assets by $289,901 during fiscal year 2008. The primary reasons for this decrease was the now correct reporting of special assessment principal and interest repayments that were not recorded correctly in past audits. These corrections resulted in various restatements as noted in the notes to the financial statements.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bingham Township as a whole. Bingham Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended March 31, 2008 was the General Fund and the Roads and Bridges (Special Revenue) Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of $123,634 for the fiscal year. Public Safety services are completely supported by general operating revenues of the General Fund. The Road and Bridges Fund was established for maintenance and improvements of roads and bridges and construction bridges within the Township. These services are mainly supported by a special voter-approved millage for roads and bridges.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund and the Water Fund at the end of the year amounted to $1,629,682 and $472,993, respectively. The decrease in net assets for the Sewer System for the fiscal year was $97,479. Net assets for the Water System decreased by $192,422 during the fiscal year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities as noted above.

Financial Analysis of the Township's Major and Nonmajor Funds

As the Township completed the current fiscal year, its governmental funds reported *combined* fund balances of $869,287. This is a net increase of $179,286. The net changes are summarized in the following chart:

	General Fund	Roads and Bridges	Nonmajor Governmental Fund (Building)
Fund Balance 3/31/08	$ 401,523	$ 347,407	$ 120,357
Fund Balance 3/31/07	$ 359,820	$ 208,824	$ 120,357
Net Change	$ 41,703	$ 137,583	$ -0-

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board did not make budget adjustments. Actual General Fund revenues totaled $351,614, $59,214 more than the final amended budget. The final amended and original budgets were the same and were approximately 20% different than final actual. This was mainly due to the above noted factors of higher property tax revenues and state shared revenues.

Actual Township expenditures for the fiscal year were $234,702 under budget. General Fund actual expenditures came in at $289,227 and the final budgeted amount was $523,929. There were several areas of the budget where activities were budgeted for that either projects were not done during the year or costs were significantly less than planned and the budget was not amended.

Roads and Bridges Fund

As of March 31, 2008, the Roads and Bridges Fund reported a fund balance of $347,407, an increase of $137,583 from the prior year. There were no changes noted between the original and final amended budgeted revenues or expenditures. Actual revenues were up slightly compared to budget as tax revenues came in higher than anticipated. The fund expended only $24,637 or $337,420 less than was budgeted mainly due to less projects being taken on in 07/08.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had invested $7,728,426 net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was $793,568 for the Township. Depreciation charges for the fiscal year totaled $181,318 for the Township. Additional information related to capital assets is detailed in Note E of the Financial Statements. Net book value of capital assets at March 31, 2008 was as follows:

	Governmental Activities	Business-type Activities	Total
Land	$ 3,200	$ 482,675	$ 485,875
Buildings, net	63,316	-	63,316
Water and sewer systems, net	-	7,179,235	7,179,235
Capital assets, net	**$ 66,516**	**$ 7,661,910**	**$ 7,728,426**

Long-term Debt. As of March 31, 2008, the Township had $4,716,649 in debt outstanding for the Business-type Activities. This level of net obligation is $467,069 less than the obligation recorded as of March 31, 2007.

Outstanding Debt as of March 31, 2008

	April 1, 2007	Additions	Deletions	March 31, 2008
Business-type Activities				
Bonded Debt	$ 3,180,000	$ -	$ 270,000	$ 2,910,000
Contracts and Agreements Payable	2,003,718	-	197,069	1,806,649
Total Reporting Entity	**$ 5,183,718**	**$ -0-**	**$ 467,069**	**$ 4,716,649**

A more detailed discussion of the Township's long-term debt obligations is presented in Note F to the financial statements.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack. Should the statutory component of Revenue Sharing be eliminated through State budget cuts, Bingham Township would experience a significant revenue loss.

Additionally, it is expected that our tax revenue will be stagnate for at least the next couple of years. The downturn in the economy has reduced our new housing starts, investment in personal property, and the sale of homes, which uncaps the taxable value. With the current economic forecast and the State budgetary problems the revenues are certain to grow at a much slower pace then in the past.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Supervisor, Clerk, or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Bingham

STATEMENT OF NET ASSETS

March 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	$ 833,317	$ (209,323)	$ 623,994
Receivables	-	203,281	203,281
Due from other governmental units	52,191	82,579	134,770
Internal balances	11,991	(10,000)	1,991
Total current assets	897,499	66,537	964,036
Noncurrent assets			
Equity interest in Clinton Area Fire and Rescue	104,770	-	104,770
Receivables	-	2,115,952	2,115,952
Capital assets not being depreciated	3,200	482,675	485,875
Capital assets, net	63,316	7,179,235	7,242,551
Total noncurrent assets	171,286	9,777,862	9,949,148
TOTAL ASSETS	1,068,785	9,844,399	10,913,184
LIABILITIES			
Current liabilities			
Accounts payable	9,624	6,757	16,381
Accrued liabilities	18,588	-	18,588
Accrued interest payable	-	73,057	73,057
Current portion of long-term debt	-	284,000	284,000
Total current liabilities	28,212	363,814	392,026
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	4,432,649	4,432,649
TOTAL LIABILITIES	28,212	4,796,463	4,824,675
NET ASSETS			
Invested in capital assets, net of related debt	66,516	2,945,261	3,011,777
Restricted for:			
Roads and bridges	347,407	-	347,407
Building	120,357	-	120,357
Unrestricted	506,293	2,102,675	2,608,968
TOTAL NET ASSETS	$ 1,040,573	$ 5,047,936	$ 6,088,509

See accompanying notes to financial statements.

Township of Bingham

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:						
General government	$ 115,007	$ 5,966	$ -	$ (109,041)	$ -	$ (109,041)
Public safety	104,737	1,421	-	(103,316)	-	(103,316)
Public works	40,606	-	5,133	(35,473)	-	(35,473)
Health and welfare	12,480	-	-	(12,480)	-	(12,480)
Recreation and culture	650	-	-	(650)	-	(650)
Other	22,178	-	-	(22,178)	-	(22,178)
Total governmental activities	295,658	7,387	5,133	(283,138)	-0-	(283,138)
Business-type activities:						
Sewer	328,649	93,538	38,572	-	(196,539)	(196,539)
Water	279,681	46,847	-	-	(232,834)	(232,834)
Total business-type activities	608,330	140,385	38,572	-0-	(429,373)	(429,373)
Total government	$ 903,988	$ 147,772	$ 43,705	(283,138)	(429,373)	(712,511)
General revenues:						
Property taxes				305,215	-	305,215
State shared revenues				172,100	-	172,100
Investment earnings				10,552	125,113	135,665
Miscellaneous				13,447	14,359	27,806
Total general revenues				501,314	139,472	640,786
Change in net assets				218,176	(289,901)	(71,725)
Restated net assets, beginning of the year				822,397	5,337,837	6,160,234
Net assets, end of the year				$ 1,040,573	$ 5,047,936	$ 6,088,509

See accompanying notes to financial statements.

Township of Bingham

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Roads and Bridges	Nonmajor Fund (Building)	Total Governmental Funds
ASSETS				
Cash	$ 377,381	$ 335,579	$ 120,357	$ 833,317
Due from other funds	11,991	-	-	11,991
Due from other governmental units	40,363	11,828	-	52,191
TOTAL ASSETS	$ 429,735	$ 347,407	$ 120,357	$ 897,499
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 9,624	$ -	$ -	$ 9,624
Accrued liabilities	18,588	-	-	18,588
TOTAL LIABILITIES	28,212	-0-	-0-	28,212
FUND BALANCES				
Unreserved				
Undesignated, reported in:				
General fund	401,523	-	-	401,523
Special revenue funds	-	347,407	120,357	467,764
TOTAL FUND BALANCES	401,523	347,407	120,357	869,287
TOTAL LIABILITIES AND FUND BALANCES	$ 429,735	$ 347,407	$ 120,357	$ 897,499

See accompanying notes to financial statements.

Township of Bingham

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

March 31, 2008

Total fund balance - governmental funds		$ 869,287
Amounts reported for the 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 as assets in the governmental funds.		
The cost of capital assets is	$ 104,283	
Accumulated depreciation is	(37,767)	
Capital assets, net		66,516
Equity interest in the Clinton Area Fire and Rescue is not a current financial resource and therefore is not reported as an asset in the governmental funds.		104,770
Net assets of governmental activities		$ 1,040,573

See accompanying notes to financial statements.

Township of Bingham

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	General	Roads and Bridges	Nonmajor Fund (Building)	Total Governmental Funds
REVENUES				
Taxes	$ 148,128	$ 157,087	$ -	$ 305,215
Intergovernmental	172,100	5,133	-	177,233
Charges for services	7,387	-	-	7,387
Interest	10,552	-	-	10,552
Other	13,447	-	-	13,447
TOTAL REVENUES	351,614	162,220	-0-	513,834
EXPENDITURES				
Current				
General government	114,316	-	-	114,316
Public safety	123,634	-	-	123,634
Public works	15,969	24,637	-	40,606
Health and welfare	12,480	-	-	12,480
Recreation and culture	650	-	-	650
Other	22,178	-	-	22,178
TOTAL EXPENDITURES	289,227	24,637	-0-	313,864
NET CHANGE IN FUND BALANCES	62,387	137,583	-0-	199,970
Fund balances, beginning of year	359,820	209,824	120,357	690,001
Prior period adjustments	(20,684)	-	-	(20,684)
Fund balances, end of year	$ 401,523	$ 347,407	$ 120,357	$ 869,287

See accompanying notes to financial statements.

Township of Bingham

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

Year Ended March 31, 2008

Net change in fund balances - total governmental funds	$	199,970
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation		(2,130)
Some items reported in the statement of activities do not provide a source of current financial resources and therefore are not reported as revenues in governmental funds. These activities consist of:		
Increase in equity interest in Clinton Area Fire and Rescue		20,336
Change in net assets of governmental activities	$	218,176

See accompanying notes to financial statements.

Towship of Bingham

Proprietary Funds

STATEMENT OF NET ASSETS

March 31, 2008

	Business-type Activities		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash	$ 88,936	$ (298,259)	$ (209,323)
Accounts receivable	9,622	6,040	15,662
Special assessments receivable	147,348	40,271	187,619
Due from other governmental units - local	41,135	41,444	82,579
Total current assets	287,041	(210,504)	76,537
Noncurrent assets			
Special assessments receivable	1,397,756	718,196	2,115,952
Capital assets, net	3,660,090	4,001,820	7,661,910
Total noncurrent assets	5,057,846	4,720,016	9,777,862
TOTAL ASSETS	5,344,887	4,509,512	9,854,399
LIABILITIES			
Current liabilities			
Accounts payable	5,810	947	6,757
Due to other funds	10,000	-	10,000
Accrued interest payable	39,305	33,752	73,057
Current portion of long - term debt	209,000	75,000	284,000
Total current liabilities	264,115	109,699	373,814
Noncurrent liabilities			
Noncurrent portion of long - term debt	1,988,070	2,444,579	4,432,649
TOTAL LIABILITIES	2,252,185	2,554,278	4,806,463
NET ASSETS			
Invested in capital assets, net of related debt	1,463,020	1,482,241	2,945,261
Unrestricted	1,629,682	472,993	2,102,675
TOTAL NET ASSETS	$ 3,092,702	$ 1,955,234	$ 5,047,936

See accompanying notes to financial statements.

Township of Bingham

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended March 31, 2008

	Business-type Activities		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services			
Usage fees	$ 34,330	$ 18,882	$ 53,212
Tap in fees	57,853	27,625	85,478
Other fees	1,355	340	1,695
Other	3,824	10,535	14,359
TOTAL OPERATING REVENUES	97,362	57,382	154,744
OPERATING EXPENSES			
Supplies	6,682	1,189	7,871
Contractual services	107,719	43,561	151,280
Utilities	17,725	10,810	28,535
Repairs and maintenance	6,628	228	6,856
Depreciation	76,577	102,611	179,188
Other	6,616	8,020	14,636
TOTAL OPERATING EXPENSES	221,947	166,419	388,366
OPERATING (LOSS)	(124,585)	(109,037)	(233,622)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	38,572	-	38,572
Interest revenue	95,236	29,877	125,113
Interest and fiscal charges	(106,702)	(113,262)	(219,964)
TOTAL NONOPERATING REVENUES (EXPENSES)	27,106	(83,385)	(56,279)
CHANGE IN NET ASSETS	(97,479)	(192,422)	(289,901)
Restated net assets, beginning of year	3,190,181	2,147,656	5,337,837
Net assets, end of year	$ 3,092,702	$ 1,955,234	$ 5,047,936

See accompanying notes to financial statements.

Township of Bingham

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	Business-type Activities		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 291,202	$ 13,741	$ 304,943
Cash paid to suppliers	(142,863)	(88,122)	(230,985)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	148,339	(74,381)	73,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental	38,572	-	38,572
Principal payments and adjustments	(222,000)	(140,493)	(362,493)
Interest and fiscal charges	(106,702)	(113,262)	(219,964)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(290,130)	(253,755)	(543,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	95,236	29,877	125,113
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(46,555)	(298,259)	(344,814)
Cash, beginning of year	135,491	-	135,491
Cash, end of year	$ 88,936	$ (298,259)	$ (209,323)
Reconciliation of operating loss to net cash provided by operating activities			
Operating (loss)	$ (124,585)	$ (109,037)	$ (233,622)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	76,577	102,611	179,188
Decrease in due from other funds	49,838	-	49,838
(Increase) in due from other governmental units	(41,135)	(41,444)	(82,579)
Decrease in receivables	182,443	36,837	219,280
(Decrease) in accounts payable	(1,812)	(24,314)	(26,126)
Increase (decrease) in accrued interest payable	(2,987)	10,804	7,817
Increase (decrease) in due to other funds	10,000	(49,838)	(39,838)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 148,339	$ (74,381)	$ 73,958

See accompanying notes to financial statements.

Township of Bingham

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2008

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 6,589
LIABILITIES	
Due to other funds	$ 1,991
Due to other governmental units	2,883
Due to others	1,715
Total liabilities	$ 6,589

See accompanying notes to financial statements.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bingham, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one (1) of sixteen (16) Townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, water, sewer, and roads.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Township of Bingham. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Bingham contain all the funds controlled by the Township Board.

2. Joint Venture

The Clinton Area Fire and Rescue (CAFR) was established by the Townships of Bingham, Greenbush, and Victor. CAFR was established in June 2001 by the noted Townships under the provisions of Michigan Compiled Law 124.501 of the Public Acts of 1967, known as the Urban Cooperation Act of 1967. CAFR is governed by a board composed of the residents of each of the constituent Townships. CAFR was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities. Bingham Township currently is represented by two (2) of the seven (7) members of the CAFR Board. There are two (2) members each from the other two (2) Townships and one (1) member is selected at-large by the remaining six (6) members of the Board. Bingham Township's equity interest, as calculated based on the formation agreement, in CAFR at March 31, 2008 was $104,770. CAFR's government-wide total assets at March 31, 2008 were $1,235,649 and total liabilities were $902,015, which resulted in net assets of $333,633. Financial support for CAFR comes mainly from the member Townships based on a funding formula as detailed in the creation agreement. The components of funding are based on State Equalized Values, population, and the number of runs with each component of the formula getting a 1/3 weight.

The equity determination at year end was calculated based on the formation agreement. The agreement states that at termination and dissolution of CAFR, each Township would receive a percentage of the net asset distribution based on the percentage of contributions by that Township as it relates to the total contributions of all Townships. Based on an analysis of the last four (4) years, at March 31, 2008, Bingham Township had contributed 31.40285% of the total contributions. Therefore, this percentage of net assets of CAFR at March 31, 2008 has been recorded in the government-wide financial statements.

Financial statements of CAFR can be received from the CAFR's administrative office.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are 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 presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and nonmajor fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

b. The Road and Bridges Fund accounts for maintenance of roads and bridges.

c. The Sewer Fund accounts for resources generated by providing sewer services to certain residents of the Township; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

d. The Water Fund accounts for resources generated by providing water services to certain residents of the Township; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Township also reports an agency fund to account for assets held by the Township as an agent for other governments or individuals. Agency funds are, by nature, custodial, therefore, operation results are not measured.

4. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

Budgets for General and Special Revenue funds are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

a. Prior to April 1, the budget is adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.

b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and Special Revenue Fund.

c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.

d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

7. Cash

Cash consists of checking and savings accounts.

8. Receivables

Receivables consist of amounts due from governmental units for delinquent real property taxes and state shared revenues and amounts due from various individuals and businesses related to charges for services and special assessments.

9. Property Tax

Bingham Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to $1 per $1,000 of assessed valuation for general governmental service and additional amounts for roads. For the year ended March 31, 2008, the Township levied .9669 mills for general governmental services and 1.4548 mills for roads. The total taxable value for the 2007 levy for property within the Township was $107,435,353.

10. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Capital Assets

Capital assets include land, buildings, equipment, and sewer and water systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. The Township does not have a formal policy in place establishing capitalization thresholds, etc. but in practice, capital assets are those assets with an estimated useful life of more than one year. Capital assets are recorded in the proprietary funds, but not the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	5 - 50 years
Equipment	4 - 7 years
Utility systems	10 - 50 years

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Restrictions of Net Assets

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by an outside source which precludes their use for unrestricted purposes.

15. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: POOLING OF CASH AND CASH OVERDRAFT

The Township's balance sheet reflects cash with a negative balance. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the Township's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

NOTE B: POOLING OF CASH AND CASH OVERDRAFT- CONTINUED

Cash disbursed in excess of amounts recorded as assets as of March 31, 2008, are as follows:

Fund	Pooled Cash Overdraft	Nonpooled Cash and Cash Equivalents	Financial Statements
Water	$(397,658)	$ 99,399	$(298,259)

NOTE C: CASH

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or federal agency obligations repurchase agreements.

5. Bankers acceptances of United States banks.

6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, the carrying amounts of the Township's deposits were $630,583 and the bank balance was $637,394, of which $100,000 was covered by federal depository insurance. The remaining balance of $537,394 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

NOTE C: CASH - CONTINUED

Credit risk

State law limits municipalities to certain types of investment vehicles that have a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any accounts that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Custodial credit risk

The Township has not adopted a policy that indicates how the Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2008, are as follows:

Due to General Fund from:	
Sewer	$ 10,000
Fiduciary Fund - Agency Fund	1,991
	$ 11,991

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: CAPITAL ASSETS

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

Governmental Activities

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets not being depreciated				
Land	$ 3,200	$ -	$ -	$ 3,200
Capital assets being depreciated				
Buildings	78,935	-	-	78,935
Equipment and furniture	22,148	-	-	22,148
Subtotal of capital assets being depreciated	101,083	-0-	-0-	101,083

NOTE E: CAPITAL ASSETS - CONTINUED

Governmental Activities - continued

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Less accumulated depreciation for				
Buildings	$(14,180)	$(1,439)	$ -	$(15,619)
Equipment and furniture	(21,457)	(691)	-	(22,148)
Total accumulated depreciation	(35,637)	(2,130)	-0-	(37,767)
Net capital assets being depreciated	65,446	(2,130)	-0-	63,316
Net capital assets	$ 68,646	$(2,130)	$ -0-	$ 66,516

Depreciation expense was charged to the following governmental activities:

General government	$ 691
Public safety	1,439
	$ 2,130

Business-type Activities

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets not being depreciated				
Land	$ 482,675	$ -	$ -	$ 482,675
Construction in progress	3,238,597	54,492	3,293,089	-0-
Subtotal of capital assets not being depreciated	3,721,272	54,492	3,293,089	482,675
Capital assets being depreciated				
Sewer system	3,830,605	-	-	3,830,605
Water system	970,410	3,293,089	159,068	4,104,431
Subtotal of capital assets being depreciated	4,801,015	3,293,089	159,068	7,935,036
Less accumulated depreciation for				
Sewer system	(576,613)	(76,577)	-	(653,190)
Equipment	-	(102,611)	-	(102,611)
Total accumulated depreciation	(576,613)	(179,188)	-0-	(755,801)
Net capital assets being depreciated	4,224,402	3,113,901	159,068	7,179,235
Net capital assets	$ 7,945,674	$ 3,168,393	$ 3,452,127	$ 7,661,910

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008	Amounts Due Within One Year
Business-type Activities					
1988 Sewer revenue bonds	$ 20,000	$ -	$ 20,000	$ -0-	$ -
1990 Sewer system bonds	90,000	-	20,000	70,000	25,000
1999 Sewer bonds	2,075,000	-	155,000	1,920,000	160,000
Water/Sewer south bonds - water	995,000	-	75,000	920,000	75,000
Parker land contract payable - sewer	16,000	-	4,000	12,000	4,000
Searles installment purchase agreement - sewer	50,000	-	10,000	40,000	20,000
Lagoon contract payable - sewer	168,070	-	13,000	155,070	-
Water system contract payable	1,769,648	-	170,069	1,599,579	-
	$ 5,183,718	$ -0-	$ 467,069	$ 4,716,649	$ 284,000

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Revenue Bonds

$430,000 Clinton County 1990 Sewer System Bonds, dated April 1, 1991. Annual installments range from $20,000 to $25,000 through October 1, 2010, with interest rate of 2.0 percent, payable semi-annually.	$ 70,000
$3,055,000 Clinton County Sanitary Sewer Project Bonds, dated May 1, 1999. Annual installments of $160,000 through May 1, 2019, with interest ranging from 4.5 to 5.0 percent, payable semi-annually.	1,920,000
$995,000 Water/Sewer South Bonds, dated June 1, 2007. These bonds were used for water system construction only. Annual installments range from $75,000 to $80,000 through June 1, 2019, with interest rate of 4.5 percent, payable semi-annually.	920,000
	$ 2,910,000

Installment Loans

$22,500 Land Contract Payable - Sewer, dated May 18, 2005. Annual installments of $4,000 through June 1, 2010. There is no interest associated with this land contract.	$ 12,000
$110,000 Searles Installment Purchase Agreement - Sewer, dated October 13, 1999. Annual installments of $20,000 through December 10, 2009. There is no interest associated with this agreement.	40,000
$350,000 Lagoon Contract Payable - Sewer, dated August 1, 2001. Principal payments of $1,000 times the number of residential equivalent tap-in fees are due the quarter after hook up as contractually stated in the contract. Any outstanding principal balance under this contract that is unpaid will be due upon the earlier of ten (10) years after commencement date or upon completion date for the Mechanical Treatment Plant. The interest rate on this contract is 7 percent, due quarterly. There are no set principal repayment amounts because the principal payments are not due and payable until tap-in fees are received.	155,070

NOTE F: LONG-TERM DEBT - CONTINUED

Installment Loans - continued

$1,769,648 Water System Contract Payable, dated December 30, 2005. This debt is not a general obligation debt of the Township. Principal payments due on this debt are based on the contractually agreed to tap-in fees per resident equivalents that tap into the system. Principal payments will be made quarterly based on the tap-in fee collected in that quarter. Interest on this contract is 5 percent and is calculated and due and payable quarterly over the life of this contract. $ 1,599,579

$ 1,806,649

Year Ending March 31,	Revenue Bonds		Installment Loans	
	Principal	Interest	Principal	Interest
2009	$ 260,000	$ 129,423	$ 24,000	$ -
2010	260,000	118,348	24,000	-
2011	255,000	107,242	4,000	-
2012	235,000	96,228	-	-
2013	235,000	85,293	-	-
2014-2018	1,185,000	259,068	-	-
2019-2020	480,000	23,200	-	-
	$ 2,910,000	$ 818,802	$ 52,000	$ -0-

Due to the fact that there is no set principal repayment schedules in place for the $350,000 lagoon contract payable or the $1,769,648 water system contract payable, these outstanding balances at March 31, 2008 of $155,070 and $1,599,579 are not included in the above schedule. The maturity schedules are unknown.

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, EDP, crime, inland marine, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE H: RESTATED NET ASSETS

The Township has retroactively adjusted their financial statements to reflect their equity interest in Clinton Area Fire Rescue (CAFR) and also to correct the accounts payable and accrued liabilities balances of the governmental activities. Also, the water and sewer funds beginning net assets have been restated for corrections to deferred revenue, accounts payable, accrued interest payable, and special assessment receivables. Net assets have been restated as follows:

NOTE H: RESTATED NET ASSETS - CONTINUED

Governmental activities net assets as of March 31, 2007	$ 758,647
Equity interest in CAFR	84,434
Overstated accounts payable	3,414
Understated accrued liabilities	(24,098)
Restated governmental activities net assets as of March 31, 2007	$ 822,397

	Sewer	Water	Total
Proprietary funds net assets as of March 31, 2007	$ 1,533,967	$ 1,371,866	$ 2,905,833
Overstated deferred revenue	1,569,148	649,677	2,218,825
Understated accounts payable	(4,319)	-	(4,319)
Understated accrued interest payable	(42,292)	(22,947)	(65,239)
Understated special assessments receivable	133,677	149,060	282,737
Restated proprietary funds net assets as of March 31, 2007	$ 3,190,181	$ 2,147,656	$ 5,337,837

NOTE I: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance. The effect on operations and other affected balances for the current and prior year are as follows:

	March 31, 2008	March 31, 2007	
Governmental Funds			
General Fund			
Accrued liabilities	$ -	$ 24,098	To correct understated
Revenues over (under) expenditures	-	(24,098)	accrued liabilities
Fund balance - beginning	(24,098)	-	
Accounts payable	-	(3,414)	To correct overstated
Revenues over (under) expenditures	-	3,414	accounts payable
Fund balance - beginning	3,414	-	

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Township's budgeted expenditures in the General Fund and Major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the Special Revenue Funds.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
General government			
Treasurer	$ 20,769	$ 22,216	$ 1,447
Clerk	19,550	20,825	1,275
Other	5,000	5,250	250
Public safety			
Fire	122,000	123,134	1,134
Liquor inspector	400	500	100
Health and welfare			
Ambulance	10,000	12,480	2,480
Other			
Fringe benefits	4,500	10,779	6,279

NOTE K: RETIREMENT PLAN

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Township Pension Plan is administered by Aetna Life Insurance Company.

The Township is required to contribute 3.75% of eligible participating employees gross compensation to the plan with immediate vesting. Eligible participating employees are defined in the plan documents. They are required to contribute an additional 3.75% of their gross compensation to the plan. Contributions to the pension plan by the Township for the year ended March 31, 2008, were $3,200.

NOTE L: RELATED PARTY TRANSACTIONS

The Township engaged in business transactions with a vendor, Trinity Engineering, which is partially owned and operated by one of the Township trustees. These transactions to pay for professional engineering services were made in the normal course of business and amounted to $13,596 for the year ended March 31, 2008.

NOTE M: CONTINGENCIES

There are various potential legal actions pending with the Township. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. Those various other legal actions for which a reasonable estimate can be determined of the Township s potential liability and that would not be covered by insurance and reserves, if any, are considered by Township management and legal counsel to be immaterial.

NOTE N: SUBSEQUENT EVENTS

Subsequent to year end the Township had the following significant transactions occur:

The Township's request for $1.5 million from the State of Michigan State Revolving Fund was approved for sewer improvements.

The Township signed an Intergovernmental Agreement for Sanitary Sewage Service between the Township and the City of St. Johns on November 19, 2008.

The Township approved a resolution authorizing publication of a notice of intent to issue bonds on January 12, 2009. Through this authorization the Township has an intention to authorize the issuance of capital improvement bonds for the purpose of financing improvements to the Township's sanitary sewer system in 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bingham

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 125,900	$ 125,900	$ 148,128	$ 22,228
Intergovernmental	151,000	151,000	172,100	21,100
Charges for services	-	-	7,387	7,387
Interest	10,000	10,000	10,552	552
Other	5,500	5,500	13,447	7,947
TOTAL REVENUES	292,400	292,400	351,614	59,214
EXPENDITURES				
Current				
General government				
Township board	88,100	88,100	8,197	79,903
Chief executive	46,825	46,825	35,249	11,576
Clerk	19,550	19,550	20,825	(1,275)
Board of Review	800	800	660	140
Treasurer	20,769	20,769	22,216	(1,447)
Assessor	18,000	18,000	15,936	2,064
Elections	3,500	3,500	1,143	2,357
Building and grounds	19,000	19,000	4,840	14,160
Other	5,000	5,000	5,250	(250)
Total general government	221,544	221,544	114,316	107,228
Public safety				
Fire	122,000	122,000	123,134	(1,134)
Liquor inspector	400	400	500	(100)
Total public safety	122,400	122,400	123,634	(1,234)
Public works				
Recycling	3,000	3,000	2,546	454
Drains	20,000	20,000	7,250	12,750
Highways, streets, and bridges	15,000	15,000	6,173	8,827
Total public works	38,000	38,000	15,969	22,031
Health and welfare				
Ambulance	10,000	10,000	12,480	(2,480)
Community and economic development				
Planning	20,000	20,000	-	20,000
Recreation and culture				
Library	800	800	650	150

Township of Bingham

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Current - continued				
Other				
Insurance	$ 25,000	$ 25,000	$ 7,759	$ 17,241
Fringe benefits	4,500	4,500	10,779	(6,279)
Other	81,685	81,685	3,640	78,045
Total other	111,185	111,185	22,178	89,007
TOTAL EXPENDITURES	523,929	523,929	289,227	234,702
NET CHANGE IN FUND BALANCE	(231,529)	(231,529)	62,387	293,916
Fund balance, beginning of year	359,820	359,820	359,820	-0-
Prior period adjustments	-	-	(20,684)	(20,684)
Fund balance, end of year	$ 128,291	$ 128,291	$ 401,523	$ 273,232

Township of Bingham

Roads and Bridges

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 155,000	$ 155,000	$ 157,087	$ 2,087
Intergovernmental	5,000	5,000	5,133	133
TOTAL REVENUES	160,000	160,000	162,220	2,220
EXPENDITURES				
Current				
Public works				
Highways and streets	362,057	362,057	24,637	337,420
NET CHANGE IN FUND BALANCE	(202,057)	(202,057)	137,583	339,640
Fund balance, beginning of year	209,824	209,824	209,824	-0-
Fund balance, end of year	$ 7,767	$ 7,767	$ 347,407	$ 339,640

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Members of the Township Board
Township of Bingham
St. Johns, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bingham, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated February 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Bingham's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a 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 controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). This issue was noted and reported in last year's audit comments.

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

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

The condition noted in the preceding paragraph exists at the Township of Bingham. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

We are communicating these circumstances as required by professional standards; however, we do not see a need for any changes in the situation at this time.

TAX BANK ACCOUNT

During our analysis of the current tax bank account, it was noted that the account had undistributed funds at year-end that were owed to organizations outside of the Township. This is also a compliance issue as Section 43(10) of MCL 211.43 as amended, requires distribution by the fifteenth day of each month, the taxes on hand the last day of the preceding month and by the first day of each month, the taxes on hand on before the fifteenth day of the immediately preceding month to the necessary municipalities.

We recommend that all funds collected and deposited in the current tax account be reconciled to supporting documentation and distributed in a timely fashion. The Treasurer should, at a minimum, distribute all funds from this account annually to assure it is reconciled and kept "current".

WATER FUND DEBT

During our analysis of the debt related to the water system contract payable, the Township could not provide adequate information related to the changes that occurred in the outstanding debt balance during the current year. To obtain this activity we had to contact the debt holder directly to get adequate information. Based on our analysis of the information provided it appeared the debt is materially accurate as stated in the financial statements.

We recommend the Township evaluate all aspects of this debt to assure the information that is available adequately supports the outstanding balance at year-end. We also recommend the Township assure documentation related to all future activity related to this debt be maintained for audit purposes.

LIABILITY ACCOUNTS

During the course of our audit it was noted that several liability accounts within the General Fund had not been reconciled to supporting documentation and those accounts had not been adjusted in the general ledger. It was also noted that trailer taxes that pass through the Township were run through revenue/expenditure accounts instead of a liability account as a trust and agency type activity.

We recommend significant liability accounts be reconciled periodically, any necessary adjustments to the general ledger be made, and the appropriate asset and liability accounts be utilized in the future.

PAYROLL PROCEDURES

Based on our analysis of various aspects of the payroll process we noted the following issues:

a. The IRS Form 941's for fiscal year compared to the computerized general ledger did not reconcile and it was noted that the March 31, 2008 form was filed late.

   We recommend the Township reconcile the IRS Form 941's to the computerized general ledger on a quarterly basis to assure all appropriate wages are reported on the 941 and these wages are correctly reflected in the general ledger.

PAYROLL PROCEDURES - CONTINUED

b. We noted various individuals that were receiving payments from the Township as independent contractors that could potentially be deemed employees based on IRS guidelines. We also noted certain employees were not paying FICA taxes and other employees that were receiving pay for extra duties but these extra duties were not being handled through payroll.

   We recommend that the Township evaluate all individuals that receive disbursements from the Township and assess them based on the IRS independent contractor vs. employee criteria to assure these individuals are being handled appropriately. We also recommend the Township evaluate each employee and assure all appropriate taxes are being paid when applicable and that all duties employees are getting paid for are treated as wages and handled appropriately.

c. We noted one instance where one Township official received a car allowance that was being taxed as compensation but the amount they were receiving was different than the amount budgeted. While this amount was not material, it was a control issue.

   We recommend annual salary rates, including all taxable fringes, paid to all employees be approved by the Township Board as a formal component of the annual budget document and this approval be documented in the minutes.

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 be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust the special assessment receivable/deferral, accounts receivable, accounts payable, long-term debt payables, cash, accrued liabilities, revenue and expenditure reclassifications, due from other governments, depreciation expense, and capital assets adjustments.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls. Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

RESTATEMENT OF NET ASSETS/PRIOR PERIOD ADJUSTMENTS

During the course of our audit, it was noted that previously issued financial statements were materially misstated. Restatements of beginning net assets at the government-wide level and prior period adjustments to correct fund balances at the fund level have been recorded to reflect the correction of misstated amounts in the prior year financial statements. These misstatements were not known by management prior to the issuance of the previously issued financial statements, therefore internal controls were not operating effectively to prevent the issuance of the materially misstated financial statements in the prior year.

Since the previously issued financial statements contained material misstatements requiring restatements of beginning net assets and beginning fund balances, we recommend that the Township review procedures related to the review and monitoring of financial reporting and take steps to ensure that a similar issue does not occur in the future.

SPECIAL ASSESSMENTS

During our analysis of special assessments for the Water and Sewer Funds, it was noted that the documentation to support the receivables outstanding at March 31, 2008 was not readily available. After considerable effort on the part of the Township, enough information was provided in order for us to audit these balances but various questions/issues were still unresolved. We noted assessments related to four (4) of the original participants of the water system that were reflected in the beginning assessment roll information but nothing could be noted that they were ever paid off so therefore they were included in the year-end receivable balance. As it related to these assessments and the overall water/sewer project it was indicated that it was agreed to that the developer never had to pay the original tap-in fees but there was no written documentation to support this agreement which happened prior to this fiscal year.

We recommend the Township evaluate all aspects of the water and sewer special assessments and the noted tap-in fees to assure all information is recorded correctly and all appropriate values are reflected in the financial statements. Based on the information provided during audit fieldwork it appears these amounts are materially accurate but the Township should perform a detailed analysis to confirm the accuracy of the information provided on a parcel-to-parcel basis.

WATER AND SEWER FUNDS FINANCIAL STABILITY

During our analysis of the Sewer Fund, we noted that there is a potential concern with this fund's long-term financial stability and its ability to pay future debts and cover operational costs. At March 31, 2008, the Sewer Fund had approximately $1.6 million in special assessment receivables and $120,000 in cash in the bank but this fund's long-term debt related to the special assessment projects has almost $2.2 million in principal still outstanding at year end. At March 31, 2008, the Water Fund had approximately $800,000 in special assessment receivables and a negative cash of approximately $300,000 but bonded debt of $920,000 and an additional $1.6 million in installment purchase agreement principal still outstanding at year end. There is a concern that the Township may not be able to make all debt payments in the future.

We recommend all aspects of the Water and Sewer Funds be analyzed to assure the Township is able to meet its future obligations within these funds and also maintain general operations of the water and sewer activities.

SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that at the present time the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. It did not appear that the Clerk and the Treasurer reconciled their accounting records to each other all year. We also noted as part of our analysis of the computerized general ledger for activity posted after year-end it appeared no revenues had been recorded in the computerized general ledger so therefore bank reconciliations subsequent to year-end could not have been prepared. Segregation of duties and appropriate crosschecking of activities such as bank reconciliations would greatly strengthen internal controls.

While this is a common occurrence in many smaller organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. In smaller entities, where the number of employees is limited and duties cannot be adequately separated, the Township's management must provide a greater review and supervision of employee functions and procedures.

We recommend that the Township's management review various areas of operation and consider additional segregation duties to provide better internal controls.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance.

UNFAVORABLE BUDGET VARIANCES

During our review of the Township's compliance with the budgeting act, we noted that there were instances during the year that the Township was not in compliance with the applicable Public Act.

The Uniform Budgeting and Accounting Act requires the Township to adopt budgets for the General Fund and all Special Revenue Funds, prohibits budgeting for a deficit fund balance, and requires the municipality to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

POLICIES AND PROCEDURES

Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that the Township formally adopt, and implement written procedures and policies in the following areas:

a. Fraud risk management program - We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

b. Investment policy - During the course of our audit, it was noted that the Township does not have an investment policy to address the reporting requirements of GASB Statement No. 40. Effective for the year ended December 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

c. Capitalization policy - We recommend the Township develop and adopt a policy that defines when an item should be included as a capital asset, method of depreciation, estimated useful lives, etc.

d. Conflict of interest - We recommend that the Township develop and adopt a policy that defines what a conflict of interest is and the disciplinary steps that would be taken for violations of policy. We further recommend a periodic acknowledgement be signed and provided to the Township confirming each employee and Board Member received and agrees to the policy.

e. Business continuity plan - A business continuity plan would clarify the Township's position if an interruption of critical business processes were to occur. We recommend the Township develop and implement a policy addressing business continuity and include it in the policy manual.

f. Electronic transaction resolution - During our analysis of internal controls, it was noted that the Board has not implemented a written electronic transaction resolution as required by Michigan Compiled Law. Public Act 738 of 2002 requires that local units of government that utilize electronic transactions adopt a written Electronic Transaction Resolution. We recommend the Township prepare a formal electronic transaction resolution that complies with the compiled law and adopt it through Board action as soon as possible.

g. Credit card policy - Currently the Township does not utilize any credit cards. If the Township were to consider the use of credit cards to conduct Township business, we recommend that the Township establish a credit card policy prior to utilizing credits cards to assure it complies with the State of Michigan requirements. The policy must include and/or address the following items:

POLICIES AND PROCEDURES - CONTINUED

a. An officer or employee designated to oversee credit card issuance, accounting, monitoring, and compliance with the policy;
b. The use of the credit card only for the purchase of goods and services for the official business of the local unit;
c. User of the credit card must submit documentation of what goods and services were purchased, the cost, the date of purchase, and the official business for which purchase was made;
d. Office or employee is responsible for credit card protection and custody and must report lost or stolen cards;
e. Credit card to be returned to local unit at termination of official or employee;
f. Internal control systems over the use of credit cards;
g. Approval of credit card invoices prior to payment;
h. The balance, including interest, must be paid within 60 days of the initial statement date;
i. Disciplinary measures for unauthorized use of credit card; and
j. Other matters the local unit considers advisable.

CHART OF ACCOUNTS

During the course of our audit, we noted instances of noncompliance in the Township's chart of accounts in comparison with the Michigan Uniform Chart of Accounts. We also noted that there were certain settings within the computerized chart of accounts that did not allow all accounts to print appropriately when the Township prints a trial balance.

We recommend the Township evaluate their chart of accounts to assure it is in compliance with the Michigan Uniform Chart of Accounts and also to assure all accounts have the correct settings to assure they print appropriately when the Township generates a trial balance.

The November 2008 election brought personnel changes to the Township Board. The new and re-elected Board members have publicly committed to rectify the issues noted above. Also, subsequent to the year ended March 31, 2008, the Township Board has made substantial progress in rectifying and complying with the recommendations noted. The Board members appear focused on reaching effective solutions and strategically implementing policies and procedures to properly address these issues.

This report is intended solely for the information and use of management, the members of the Township Board, others within the Township, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 9, 2009