

TOWNSHIP OF CHESANING
Saginaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Chesaning	County Saginaw
Audit Date March 31, 2007	Opinion Date July 27, 2007	Date Accountant Report Submitted to State: July 31, 2007	

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

We affirm that:

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

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

You must check the applicable box for each item below.

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

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

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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July 27, 2007

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Chesaning
Saginaw County, Michigan

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

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary governmental activities and each major fund of the Township of Chesaning, Saginaw County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements because they do not include the financial data of the component unit of the Township of Chesaning, do not purport to, and do not present fairly the financial position of the Township of Chesaning as of March 31, 2007, and changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States.

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

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

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

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

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$447,482.20 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$667,760.90 from governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Agency Fund, the Cemetery Perpetual Care Fund, the Refuse and Recycling Fund and the Current Tax Collection Fund.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our governmental activities cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$108,845.46 and fire protection which incurred expenses of \$174,048.56.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$13,584.00 in capital assets.

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

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

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

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-845-2341.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	363 633 84
Taxes receivable	23 236 47
Special assessments receivable	<u>8 991 00</u>
Total Current Assets	<u>395 861 31</u>
NON-CURRENT ASSETS:	
Capital Assets	214 110 77
Less: Accumulated Depreciation	<u>(126 752 59)</u>
Total Non-current Assets	<u>87 358 18</u>
TOTAL ASSETS	<u>483 219 49</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>35 737 29</u>
Total Current Liabilities	<u>35 737 29</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>35 737 29</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	87 358 18
Restricted for cemetery	-
Unrestricted	<u>360 124 02</u>
Total Net Assets	<u>447 482 20</u>
TOTAL LIABILITIES AND NET ASSETS	<u>483 219 49</u>

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Operating Grants - Contributions	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	43 598 30	-	-	(43 598 30)
General government	168 035 35	69 447 43	13 584 00	(85 003 92)
Public safety	198 032 97	174 048 56	-	(23 984 41)
Public works	204 018 91	101 844 00	-	(102 174 91)
Culture and recreation	9 640 44	-	-	(9 640 44)
Other	28 858 20	-	-	(28 858 20)
Total Governmental Activities	652 184 17	345 339 99	13 584 00	(293 260 18)
General Revenues:				
Property taxes				116 844 64
State revenue sharing				164 397 11
Interest				16 803 22
Miscellaneous				10 791 94
Total General Revenues				308 836 91
Change in net assets				15 576 73
Net assets, beginning of year				431 905 47
Net Assets, End of Year				447 482 20

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Refuse and Recycling</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	238 270 25	120 536 82	-	358 807 07
Taxes receivable	23 236 47	-	-	23 236 47
Special assessments receivable	-	8 991 00	-	8 991 00
Due from other funds	<u>4 826 77</u>	<u>-</u>	<u>-</u>	<u>4 826 77</u>
Total Assets	<u><u>266 333 49</u></u>	<u><u>129 527 82</u></u>	<u><u>-</u></u>	<u><u>395 861 31</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>12 353 05</u>	<u>23 384 24</u>	<u>-</u>	<u>35 737 29</u>
Total liabilities	<u><u>12 353 05</u></u>	<u><u>23 384 24</u></u>	<u><u>-</u></u>	<u><u>35 737 29</u></u>
Fund equity:				
Fund balances:				
Reserved for cemetery	-	-	-	-
Unreserved:				
Undesignated	<u>253 980 44</u>	<u>106 143 58</u>	<u>-</u>	<u>360 124 02</u>
Total fund equity	<u><u>253 980 44</u></u>	<u><u>106 143 58</u></u>	<u><u>-</u></u>	<u><u>360 124 02</u></u>
Total Liabilities and Fund Equity	<u><u>266 333 49</u></u>	<u><u>129 527 82</u></u>	<u><u>-</u></u>	<u><u>395 861 31</u></u>

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	360 124 02
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	214 110 77
Accumulated depreciation	<u>(126 752 59)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>447 482 20</u>

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

	General	Refuse and Recycling	Other Funds	Total
Revenues:				
Property taxes	116 844 64	-	-	116 844 64
Licenses and permits	21 312 06	-	-	21 312 06
State revenue sharing	164 397 11	-	-	164 397 11
State grant	13 584 00	-	-	13 584 00
Charges for services	48 135 37	-	-	48 135 37
Interest	13 596 16	3 206 96	10	16 803 22
Special assessments	174 048 56	101 844 00	-	275 892 56
Miscellaneous	10 791 94	-	-	10 791 94
Total revenues	562 709 84	105 050 96	10	667 760 90
Expenditures:				
Legislative:				
Township Board	43 598 30	-	-	43 598 30
General government:				
Supervisor	9 000 00	-	-	9 000 00
Elections	11 309 26	-	-	11 309 26
Assessor	53 503 96	-	-	53 503 96
Audit	4 000 00	-	-	4 000 00
Attorney	568 00	-	-	568 00
Clerk	17 544 00	-	-	17 544 00
Board of Review	1 105 07	-	-	1 105 07
Treasurer	17 000 00	-	-	17 000 00
Building and grounds	7 677 30	-	-	7 677 30
Cemetery	30 244 85	-	192 86	30 437 71
Data processing	8 158 34	-	-	8 158 34
Public safety:				
Fire protection	174 048 56	-	-	174 048 56
Planning and zoning	23 984 41	-	-	23 984 41
Public works:				
Highways and streets	108 845 46	-	-	108 845 46
Street lights	537 75	-	-	537 75
Sanitation	-	94 635 70	-	94 635 70
Culture and recreation:				
Parks and recreation	8 993 39	-	-	8 993 39
Other functions:				
Health	4 500 00	-	-	4 500 00
Pension	14 092 20	-	-	14 092 20
Insurance	10 266 00	-	-	10 266 00
Capital outlay	13 584 00	-	-	13 584 00
Total expenditures	562 560 85	94 635 70	192 86	657 389 41
Excess (deficiency) of revenues over expenditures	148 99	10 415 26	(192 76)	10 371 49
Fund balances, April 1	253 831 45	95 728 32	192 76	349 752 53
Fund Balances, March 31	253 980 44	106 143 58	-	360 124 02

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 10 371 49

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 378 76)
Capital Outlay	<u>13 584 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 15 576 73

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

Component Unit

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

Joint Venture

Chesaning – Brady Fire Authority – The Townships of Chesaning and Brady and the Village of Chesaning jointly established the Chesaning – Brady Fire Authority. Each Township appoints two representatives and the Village appoints one representative to serve on the administrative board. For the fiscal year ended March 31, 2007, the Township of Chesaning provided \$174,048.56 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Chesaning. Separate financial statements of the joint venture may be obtained directly from them at 310 East Broad Street in Chesaning, Michigan.

Government-Wide and Fund Financial Statements

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

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

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental Funds

General Fund

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

Special Revenue Fund

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

Permanent Fund

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

Fiduciary Funds

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

Pension Trust Fund

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

Agency Fund

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Current Tax Collection Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .9330 mills, and the taxable value was \$118,254,569.00.

Encumbrances

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

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	8-20 years

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments

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

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

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

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

	<u>Carrying Amounts</u>
Total Deposits	<u>363 972 87</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	117 790 43
Uninsured and Uncollateralized	<u>266 185 00</u>
Total Deposits	<u>383 975 43</u>

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

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments (continued)

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>128 547 78</u>
Total Investments				<u>128 547 78</u>

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

Note 4 – Capital Assets

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

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	59 515 25	-	-	59 515 25
Buildings and improvements	106 682 52	-	-	106 682 52
Equipment	<u>34 329 00</u>	<u>13 584 00</u>	-	<u>47 913 00</u>
Total	200 526 77	13 584 00	-	214 110 77
Accumulated Depreciation	<u>(118 373 83)</u>	<u>(8 378 76)</u>	-	<u>(126 752 59)</u>
Net Capital Assets	<u>82 152 94</u>	<u>5 205 24</u>	-	<u>87 358 18</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all Township elected officials, cemetery sexton and employees on a monthly salary. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Members are 100% vested from the date of employment. The Township contributed \$14,092.20 during the fiscal year ended March 31, 2007. The employees are not required to contribute to the plan but they can make voluntary contributions. This plan is recorded in a pension trust fund.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 7 – Risk Management

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

Note 8 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$13,276.67 and building permit expenses of \$16,295.00.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	4 810 08	Current Tax Collection	4 810 08
General	<u>16 69</u>	Agency	<u>16 69</u>
Total	<u><u>4 826 77</u></u>	Total	<u><u>4 826 77</u></u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	105 500 00	105 500 00	116 844 64	11 344 64
Licenses and permits	22 500 00	22 500 00	21 312 06	(1 187 94)
State revenue sharing	164 300 00	164 300 00	164 397 11	97 11
State grant	15 000 00	15 000 00	13 584 00	(1 416 00)
Charges for services	47 800 00	47 800 00	48 135 37	335 37
Interest	6 400 00	6 400 00	13 596 16	7 196 16
Special assessments	169 000 00	187 000 00	174 048 56	(12 951 44)
Miscellaneous	<u>12 000 00</u>	<u>12 000 00</u>	<u>10 791 94</u>	<u>(1 208 06)</u>
Total revenues	<u>542 500 00</u>	<u>560 500 00</u>	<u>562 709 84</u>	<u>2 209 84</u>
Expenditures:				
Legislative:				
Township Board	45 140 00	45 140 00	43 598 30	(1 541 70)
General government:				
Supervisor	9 000 00	9 000 00	9 000 00	-
Elections	8 000 00	11 500 00	11 309 26	(190 74)
Assessor	40 000 00	53 530 00	53 503 96	(26 04)
Audit	4 000 00	4 000 00	4 000 00	-
Attorney	4 000 00	4 000 00	568 00	(3 432 00)
Clerk	17 544 00	17 544 00	17 544 00	-
Board of Review	1 400 00	1 400 00	1 105 07	(294 93)
Treasurer	17 000 00	17 000 00	17 000 00	-
Building and grounds	7 500 00	7 700 00	7 677 30	(22 70)
Cemetery	50 000 00	50 000 00	30 244 85	(19 755 15)
Data processing	7 000 00	8 200 00	8 158 34	(41 66)
Public safety:				
Fire protection	169 000 00	187 000 00	174 048 56	(12 951 44)
Planning and zoning	30 000 00	30 000 00	23 984 41	(6 015 59)
Public works:				
Highways and streets	200 000 00	200 000 00	108 845 46	(91 154 54)
Street lights	800 00	800 00	537 75	(262 25)
Drains	1 000 00	1 000 00	-	(1 000 00)
Culture and recreation:				
Parks and recreation	9 600 00	9 600 00	8 993 39	(606 61)
Other functions:				
Health	4 500 00	4 500 00	4 500 00	-
Pension	19 000 00	16 000 00	14 092 20	(1 907 80)
Insurance	15 000 00	12 900 00	10 266 00	(2 634 00)
Capital outlay	<u>15 000 00</u>	<u>15 000 00</u>	<u>13 584 00</u>	<u>(1 416 00)</u>
Total expenditures	<u>674 484 00</u>	<u>705 814 00</u>	<u>562 560 85</u>	<u>(143 253 15)</u>
Excess (deficiency) of revenues over expenditures	(131 984 00)	(145 314 00)	148 99	145 462 99
Fund balance, April 1	<u>131 984 00</u>	<u>145 314 00</u>	<u>253 831 45</u>	<u>108 517 45</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>253 980 44</u>	<u>253 980 44</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – REFUSE AND RECYCLING FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	3 206 96	3 206 96
Special assessments	<u>101 010 00</u>	<u>101 010 00</u>	<u>101 844 00</u>	<u>834 00</u>
Total revenues	<u>101 010 00</u>	<u>101 010 00</u>	<u>105 050 96</u>	<u>4 040 96</u>
Expenditures:				
Public works:				
Sanitation	<u>119 077 32</u>	<u>119 077 32</u>	<u>94 635 70</u>	<u>(24 441 62)</u>
Total expenditures	<u>119 077 32</u>	<u>119 077 32</u>	<u>94 635 70</u>	<u>(24 441 62)</u>
Excess (deficiency) of revenues over expenditures	(18 067 32)	(18 067 32)	10 415 26	28 482 58
Fund balance, April 1	<u>18 067 32</u>	<u>18 067 32</u>	<u>95 728 32</u>	<u>77 661 00</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>106 143 58</u>	<u>106 143 58</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

Township Board:	
Salaries	8 640 00
Office help	8 484 50
Payroll taxes	6 509 97
Memberships and dues	2 192 56
Telephone	3 251 08
Mileage	674 48
Printing and publishing	2 498 74
Supplies	873 54
Miscellaneous	7 452 07
Education and training	3 021 36
	<u>43 598 30</u>
Supervisor:	
Salary	<u>9 000 00</u>
Elections:	
Wages	6 177 45
Printing and publishing	1 246 69
Miscellaneous	278 36
Supplies	3 606 76
	<u>11 309 26</u>
Assessor:	
Contracted services	39 037 60
Printing and publishing	14 466 36
	<u>53 503 96</u>
Audit	<u>4 000 00</u>
Attorney	<u>568 00</u>
Clerk:	
Salary	<u>17 544 00</u>
Board of Review:	
Wages	595 00
Printing and publishing	510 07
	<u>1 105 07</u>
Treasurer:	
Salary	<u>17 000 00</u>
Building and grounds:	
Wages	1 656 00
Utilities	3 380 27
Repairs and maintenance	2 641 03
	<u>7 677 30</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

Cemetery:	
Sexton	1 200 00
Open and close graves	8 463 00
Lawn maintenance	15 199 50
Printing and publishing	436 28
Utilities	274 83
Repairs and maintenance	4 671 24
	<u>30 244 85</u>
Data processing:	
Maintenance	8 158 34
	<u>8 158 34</u>
Fire protection	<u>174 048 56</u>
Planning and zoning:	
Wages	20 061 50
Contracted services	1 880 00
Mileage	528 71
Printing and publishing	660 44
Miscellaneous	853 76
	<u>23 984 41</u>
Highways and streets	<u>108 845 46</u>
Street lighting	<u>537 75</u>
Parks and recreation	<u>8 993 39</u>
Health	<u>4 500 00</u>
Pension	<u>14 092 20</u>
Insurance	<u>10 266 00</u>
Capital outlay	<u>13 584 00</u>
Total Expenditures	<u>562 560 85</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUNDS
March 31, 2007

	<u>Pension Trust</u>	<u>Agency Current Tax Collection</u>	<u>Agency</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	-	4 810 08	355 72	5 165 80
Investments	<u>128 547 78</u>	<u>-</u>	<u>-</u>	<u>128 547 78</u>
Total Assets	<u>128 547 78</u>	<u>4 810 08</u>	<u>355 72</u>	<u>133 713 58</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	4 810 08	16 69	4 826 77
Due to other units	-	-	339 03	339 03
Total liabilities	<u>-</u>	<u>4 810 08</u>	<u>355 72</u>	<u>5 165 80</u>
Fund balances:				
Reserved for retirement benefits	<u>128 547 78</u>	<u>-</u>	<u>-</u>	<u>128 547 78</u>
Total fund balances	<u>128 547 78</u>	<u>-</u>	<u>-</u>	<u>128 547 78</u>
Total Liabilities and Fund Balances	<u>128 547 78</u>	<u>4 810 08</u>	<u>355 72</u>	<u>133 713 58</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

	<u>Pension Trust</u>
Operating revenues:	
Contributions	14 974 20
Total operating revenues	14 974 20
Less operating expenses:	
Management fees	1 741 50
Total operating expenses	1 741 50
Operating income (loss)	13 232 70
Non-operating revenues and (expenses):	
Distributions	-
Gain (loss) on investment	9 784 98
Total non-operating revenues and (expenses)	9 784 98
Net income (loss)	23 017 68
Fund balance, April 1	105 530 10
Fund Balance, March 31	128 547 78

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2007

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
<u>CURRENT TAX COLLECITON FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>5 325 22</u>	<u>3 637 762 65</u>	<u>3 638 277 79</u>	<u>4 810 08</u>
<u>Liabilities</u>				
Due to other funds	5 325 22	396 620 26	397 135 40	4 810 08
Due to others	<u>-</u>	<u>3 241 142 39</u>	<u>3 241 142 39</u>	<u>-</u>
Total Liabilities	<u>5 325 22</u>	<u>3 637 762 65</u>	<u>3 638 277 79</u>	<u>4 810 08</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>7 78</u>	<u>55 444 72</u>	<u>55 096 78</u>	<u>355 72</u>
<u>Liabilities</u>				
Due to other funds	-	33 053 46	33 036 77	16 69
Due to others	<u>7 78</u>	<u>22 391 26</u>	<u>22 060 01</u>	<u>339 03</u>
Total Liabilities	<u>7 78</u>	<u>55 444 72</u>	<u>55 096 78</u>	<u>355 72</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>5 333 00</u>	<u>3 693 207 37</u>	<u>3 693 374 57</u>	<u>5 165 80</u>
<u>Liabilities</u>				
Due to other funds	5 325 22	429 673 72	430 172 17	4 826 77
Due to others	<u>7 78</u>	<u>3 263 533 65</u>	<u>3 263 202 40</u>	<u>339 03</u>
Total Liabilities	<u>5 333 00</u>	<u>3 693 207 37</u>	<u>3 693 374 57</u>	<u>5 165 80</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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

Cash in bank – beginning of year	<u>5 325 22</u>
Cash receipts:	
Property taxes	3 632 860 14
Interest	<u>4 902 51</u>
Total cash receipts	<u>3 637 762 65</u>
Total beginning balance and cash receipts	<u>3 643 087 87</u>
Cash disbursements:	
Township General Fund – Operating	148 235 56
Township General Fund – Fire	156 214 84
Township Refuse and Recycling Fund	92 685 00
Chesaning Public Library	100 415 06
Saginaw County	1 487 685 32
Saginaw County Intermediate School District	222 861 12
Shiawassee County Intermediate School District	2 633 74
Chesaning Union School District	1 096 590 03
New Lothrop School District	4 941 00
Downtown Development Authority	77 476 09
Delta College	219 814 10
State of Michigan	20 127 82
Refunds	<u>8 598 11</u>
Total cash disbursements	<u>3 638 277 79</u>
Cash in Bank – End of Year	<u><u>4 810 08</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 27, 2007

To the Township Board
Township of Chesaning
Saginaw County, Michigan

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

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

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

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

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

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

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

To the Township Board
Township of Chesaning
Saginaw County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

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

SUMMARY

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

Sincerely,

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