Fawn River Township

Comprehensive Annual Financial Report

For the Year Ended March 31, 2008

Michigan Department of Treasury
496 (Rev 06/08)

Auditing Procedures Report

Instructions and MuniCodes | *=Required Fields | Reset Form

Issued under Public Act 2 of 1968, as amended (V1.07)

Unit Name*	County*	Type*	MuniCode*
Fawn River Township	St. Joseph	Township	75
Opinion Date-Use Calendar*	**Audit Submitted-Use Calendar***	**Fiscal Year End Month***	**Fiscal Year***
Sept. 29, 2008	Sept. 30, 2008	March	2008

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

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."*

- ☑ ? 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☑ ? 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☑ ? 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☑ ? 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☑ ? 5. Did the local unit adopt a budget for all required funds?
- ☑ ? 6. Was a public hearing on the budget held in accordance with State statute?
- ☑ ? 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☑ ? 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☑ ? 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☑ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
- ☑ ? 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☑ ? 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☑ ? 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☑ ? 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☑ ? 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ ? 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue: ?	164,720	General Fund Balance: ?	737,387
General Fund Expenditure: ?	122,103	Governmental Activities Long-Term Debt (see instructions): ?	-0-
Major Fund Deficit Amount:	$ 0.00		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* David	Last Name* Locey	Ten Digit License Number* 1101027 73		
CPA Street Address* 670 36 N. M-66	City* Sturgis	State* MI	Zip Code* 49091	Telephone*
CPA Firm Name* David F Locey, CPA	Unit's Street Address*	Unit's City* Sturgis	Unit's Zip* 49091	

Comprehensive Annual Financial Report
Fawn River Township
For the Year Ended March 31, 2008

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Independent Auditor's Report

To Board of
Fawn River Township

We have audited the accompanying financial statements of the governmental activities of Fawn River Township as of and for the year ended March 31, 2008, which comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fawn River 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of as of March 31, 2008, and the respective changes in financial position where applicable, 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, budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise Fawn River Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2008 on our consideration of Fawn River Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Fawn River Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related statements, as of March 31, 2008.

David F. Locey, CPA, PC
September 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 – 9) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's general funds.

Reporting the Township as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 5. One of the most important questions asked about the Township's finances, is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets and changes in them. You can think of the Township's net assets-the difference between assets and liabilities-as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating.

Statement of Net Assets and the Statement of Activities:

- Governmental activities-The Township's basic services are reported here – general government activities. State Revenue Sharing, interest, and special assessments finance most of these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the general fund-not the Township as a whole.

- Governmental funds-All of the Township's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short- term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Fiduciary funds-trust and agency fund-perpetual cemetery care.

THE TOWNSHIP AS A WHOLE

For the year ended March 31, 2008, net assets changed as follows:

	Governmental Activities
Beginning net assets	$ 802,707
Increase in net assets	29,266
Prior period adjustment	(996)
Ending net assets	$ 830,977

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed, then revenues from that particular program reported second. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Township's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

THE TOWNSHIP'S FUNDS

The following schedule presents a summary of general, special revenue, capital project, debt service, and permanent fund revenues and expenditures for the fiscal year ended March 31, 2008, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues:	FYE 2008 Amount	Percent of Total
State Revenue Sharing	$112,650	68.6%
Township Support	9,238	5.6%
Interest	36,663	22.3%
Other	5,719	3.5%
Total Revenues	$164,270	100.00%

Expenditures:	FYE 2008 Amount	Percent of Total
Township Board	$ 27,174	20.4%
Supervisor	11,445	8.4%
Assessor	12,774	9.5%
Clerk	11,272	8.3%
Treasurer	18,292	13.5%
Trustee	1,530	1.1%
Zoning	15,790	11.7%
Board of Review	918	.7%
Cemetery	2,618	1.9%
Hall	548	.4%
Fire	17,200	12.7%
Elections	1,780	1.3%
Roads	9,282	6.9%
Ambulance	4,381	3.2%
Total Expenditures	$135,004	100.0%

CAPITAL ASSET

Capital Assets

At the end of March 31, 2008, the Township had $153,405 invested in capital assets.

	Governmental Activities
Equipment	$ 86,240
Roads	67,165
TOTALS	$ 153,405

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fawn River Township, 31194 Fawn River Road, Sturgis, MI 49091.

Fawn River Township
Statement of Net Assets
March 31, 2008

	Governmental Fund Types
ASSETS	
Current Assets:	
Cash and cash equivalents	$711,502
Accounts receivable - State	26,613
Accounts receivable - special assessments	1,455
Prepaid insurance	862
Due - from other funds	199
Total current assets	740,631
Noncurrent Assets:	
Capital assets	
Building	75,000
Equipment	11,240
Roads	67,165
Accumulated depreciation	(59,815)
Total noncurrent assets	93,590
Total assets	834,221
LIABILITIES	
Current Liabilities	
Accounts payable	3,045
Due - General Fund	199
Due - Other Government Units	0
Total liabilities	3,244
NET ASSETS	
Invested in capital assets	93,590
Unrestricted	737,387
Total net assets	$830,977

The notes to the financial statement are an integral part of this statement.

Fawn River Township
Statement of Activities
For the Year Ended March 31, 2008

Governmental Activities	
Expenses	
General Government	
Township board	$27,174
Supervisor	11,445
Assessor	12,774
Clerk	11,272
Treasurer	18,292
Trustee	1,530
Zoning	15,790
Board of review	918
Cemetery	2,618
Election	1,780
Composite Site	0
Roads	9,282
Hall	548
Total general government	113,422
Public Safety	
Fire	17,200
Ambulance	4,381
Total public safety	21,581
Net (expenses)	135,003
General Revenues:	
State revenue sharing	112,650
Special assessments	4,443
Interest income	36,663
Act 425 - agreement	4,795
Permits	4,621
Miscellaneous	1,098
Total general revenues	164,270
Change in net assets	29,267
Prior Period Adjustment	(996)
Net assets-beginning	802,707
Net assets - ending	$830,977

The notes to the financial statement are an integral part of this statement.

Fawn River Township
Combined Balance Sheet
All Fund Types
March 31, 2008

	Governmental Fund Types	Fiduciary Fund Types	Total (Memorandum Only)
	General	Trust and Agency	Reporting Entity
ASSETS			
Cash and cash equivalents	$711,303	$199	$711,502
Accounts receivable - State	26,613	0	26,613
Accounts receivable - special assessments	1,455	0	1,455
Prepaid insurance	862	0	862
Due - from other funds	199	0	199
Total assets	$740,432	$199	$740,631
LIABILITIES			
Accounts payable-expenses	$3,045	$0	$3,045
Due general fund	0	199	199
Due - other governmental units	0	0	0
Total liabilities	3,045	199	3,244
FUND BALANCE			
Unreserved	737,387	0	737,387
Total fund balance	737,387	0	737,387
Total liabilities and fund balance	$740,432	$199	$740,631

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 funds, net of accumulated depreciation of $59,815	$93,590

The notes to the financial statement are an integral part of this statement.

Fawn River Township
Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

	Governmental Activities
REVENUES	
State revenue sharing	$112,650
Tax revenue	4,443
Interest income	36,663
Act 425 - agreement	4,795
Permits	4,621
Miscellaneous	1,098
Total revenues	164,270
EXPENDITURES	
Township board	14,274
Supervisor	11,445
Assessor	12,774
Clerk	11,272
Treasurer	18,292
Trustee	1,530
Zoning	15,790
Board of review	918
Cemetery	2,618
Hall	548
Fire	17,200
Roads	9,282
Ambulance	4,381
Election	1,780
Composite Site	0
Total expenditures	122,103
Excess (deficiency) of revenues over expenditures	42,167
Prior Period Adjustment	(996)
Fund balance-beginning	696,216
Fund balance-ending	$737,387
Reconciliation of the change in fund balances-total governmental funds to the change in net assets of governmental activities:	$42,167
Net change in fund balances-total governmental funds	
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Depreciation expense	(12,900)
Change in Net Assets of Governmental Activities	$29,267

The notes to the financial statement are an integral part of this statement.

Fawn River Township
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Budget and Actual
For the Year Ended March 31, 2008

	Budget	Actual	Variance
REVENUES			
State revenue sharing	$114,000	$112,650	($1,351)
Tax revenue	2,800	4,443	1,643
Interest income	9,100	36,663	27,563
Act 425 - agreement	4,500	4,795	295
Permits	650	4,621	3,971
Miscellaneous	2,550	1,098	(1,452)
Total Revenues	133,600	164,270	30,669
EXPENDITURES			
Township board	10,850	14,274	(3,424)
Supervisor	11,446	11,445	1
Assessor	12,498	12,774	(276)
Clerk	11,355	11,272	83
Treasurer	18,610	18,292	318
Trustee	1,530	1,530	0
Zoning	15,375	15,790	(415)
Board of review	1,120	918	202
Cemetery	2,620	2,618	3
Hall	1,000	548	452
Fire	16,320	17,200	(880)
Roads	9,000	9,282	(282)
Ambulance	4,931	4,381	550
Election	1,892	1,780	112
Composite Site	3,150	0	3,150
Total expenditures	121,697	122,103	(406)
Excess of Revenues Over (Under) Expenditures	11,903	42,167	30,263
Prior Period Adjustment	(996)	(996)	0
Fund Balance - April 1, 2007	696,216	696,216	0
Fund Balance - March 31, 2008	$707,123	$737,387	$30,263

The notes to the financial statement are an integral part of this statement.

Fawn River Township
Combining Statement of Changes in Assets and Liabilities
Tax Collection Fund
For the Year Ended March 31, 2008

	Balance at April 1, 2007	Additions	Deductions	Balance at March 31, 2008
Assets				
Cash	$7,769	$199	$7,769	$199
Liabilities				
Due - General Fund	$670	$199	$670	$199
Due to other funds	7,099	0	7,099	0
Total Liabilities	$7,769	$199	$7,769	$199

The notes to the financial statement are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Fawn River Township is located in St. Joseph County and provides services including public safety, highways and streets, general administrative services, and community enrichment and development. The Township is governed by a 5 member board elected by the citizens of Fawn River Township. The board consists of the supervisor, clerk, treasurer, and two trustees who reside in the community.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Boards (GASB) Statement No. 14 " The financial Reporting Entity", these financial statements present the Township (the primary government) and its component unity (none). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

Joint Venture

The Township is a member of the Tri-Township Fire Association of Sherman, Sturgis, and Fawn River Townships. A joint venture was formed to provide fire protection within the provided Townships. Costs of operations and capital expenditures are supported by contributions from the participating municipalities that take into account their respective population and number of fire calls. The Tri-Township Fire Association is managed by a board which consists of members from each participating municipality. The board adopts the departments budget and controls its financing.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government. Governmental activities generally are financed through intergovernmental revenues and other revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

The funds of the financial reporting entity are described below:

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

GOVERNMENTAL FUNDS

General Fund - This fund is the primary operating fund of the Township, it is used to account for all activities.

FIDUCIARY FUNDS

Trust and Agency – These funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. These include: agency funds and a nonexpendable cemetery trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Nonexpendable trust funds are treated in the same manner as proprietary fund types.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

> All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONT'D)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditure (including capital outlay) are recorded when the related fund liability is incurred.

ASSETS, LIABILITIES, AND EQUITY

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at market value, or estimated market value if actual is unavailable. Estimated market value was used to value the majority of the assets acquired prior to April 1, 2007.

Prior to April 1, 2007, governmental funds' infrastructure assets were not capitalized. These assets (back to April 1, 2007) have been valued at estimated market value.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT'D)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of deprecation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	15 years
Roads	10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

TOTAL COLUMN ON COMBINED STATEMENTS – OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

CASH AND CASH EQUIVALENTS

Deposits

The Township's policies regarding deposits of cash are discussed below. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the Township or its agent in its name

Category 2-Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral Agreement

Type of Deposits	Total Bank Balance	Custody 1	Credit Risk 2	Category 3
Demand deposits	$711,502	$230,000	$ 0	$481,502
Total Deposits	$711,502	$230,000	$ 0	$481,502

OTHER ASSETS

COMPENSATED ABSENCE

None.

POST EMPLOYMENT BENEFITS

No benefits are available.

COMMITMENTS AND CONTINGENCIES

Management of the Township is not aware of any material commitments or contingent liabilities.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has participated in the Michigan Township Participating Plan (MTPP) since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MTPP was created pursuant to the authority of a)Article 7, Section 28, Michigan Constitution of 1963; b)Section 1, Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Township voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

The Michigan Township Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

OTHER ASSETS (CONT'D)

RISK MANAGEMENT (CONT'D)

The MTPP, while it operates under the Michigan Legislation of PA 138, does not operates as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase;, there is no pooling of risk between members. The plan has protected itself by purchasing reinsurance. Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverage's 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The Plan has reinsured 100 percent of its loss reserves and consequently has not reflected a liability for loss reserves on its balance sheet. In July 1992, the Plan entered into a negotiated settlement with Governmental Casualty Insurance Company (GCIC) and agreed to execute a commutation agreement whereby liability for all risks assumed by GCIC under their reinsurance agreements with the plan would be commuted back to the Plan. The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTPP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

Case Loss Reserves	IBNR Reserves	Total Reserves
$313,550	$31,252	$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of $693,119 to cover the reserves.

The plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNT (CONT'D)

CAPITAL ASSETS

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

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2008
Governmental Activities:				
Machinery and equipment	$ 86,240	$ 0	$ 0	$ 86,240
Roads	67,165	0	0	67,165
Total at market value	153,405	0	0	153,405
Less accumulated depreciation				
Machinery and equipment	(22,776)	(6,100)	0	(28,876)
Roads	(24,139)	(6,800)	0	(30,939)
Total accumulated depreciation	(46,915)	(12,900)	0	(59,815)
Governmental activities capital assets, net	$106,490	($12,900)	$ 0	$ 93,590

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Fawn River Township Board
Sturgis, 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 Fawn River Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Fawn River Township, Michigan's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fawn River Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fawn River Township, Michigan'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

Sturgis, Michigan
September 29, 2008

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COMMENTS AND RECOMMENDATIONS

To The Township Board
Fawn River Township
Sturgis, Michigan 49091

During the course of the examination of your records, we observed the following situations that we feel need to be covered in our comments and recommendations letter.

A. Some adjustments still need to be made to the payroll items in Quickbooks so that the actual wages on the payroll reports tie out to the 941 returns. There are non-wage items being recorded with the total earnings when a payroll report is run in Quickbooks. With that being done, the 941 returns can be done within Quickbooks.

B. As the minutes were reviewed, it was noted that a treasurer's report was not recorded. All board members have a fiduciary responsibility on knowing the financial status of the township. Monthly you should be reviewing a balance sheet and income statement showing actual figures for the month. Comparative reports; actual vs. budget will also show you how you are doing in comparison to the budget you have set up for your fiscal year.

A tax fund was created for this fiscal year, along with a recap of taxes collected and paid out. This was proved to be beneficial for both the township and for our firm.

We appreciate the opportunity of examining the records of Fawn River Township and look forward to future engagements.

David F. Locey, CPA
September 29, 2008