

COHOCTAH TOWNSHIP

ANNUAL FINANCIAL
REPORT

FOR THE YEAR ENDED MARCH 31, 2009

COHOCTAH TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Mark Fosdick
Treasurer - Tami Bock
Clerk - Brenda Meek

TOWNSHIP BOARD OF TRUSTEES

Tami Bock
Mark Fosdick
Fred Buckner
Brenda Meek
William Thurner

TOWNSHIP ATTORNEYS

Miller, Kehoe & Associates

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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August 5, 2009

Board of Trustees
Cohoctah Township
P.O. Box 278
Cohoctah, Michigan 48816

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Cohoctah Township, as of and for the year ended March 31, 2009, which collectively comprise of Cohoctah Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cohoctah 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 misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cohoctah Township, as of March 31, 2009, and the respective changes in financial position and cash flows, 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 and other required supplementary information on pages 6 through 9 and 29 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 opinions on the financial statements that collectively comprise Cohoctah Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Within this section of Cohoctah Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2009. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were \$1,662,609. This is an increase of \$116,683 over last year's net assets of \$1,545,926.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	3/31/2009	3/31/2008
Current and other assets	\$ 1,068,141	\$ 981,780
Capital assets	699,579	702,702
Total assets	<u>1,767,720</u>	<u>1,684,482</u>
Accounts payable	16,722	14,394
Notes/land contract payables	88,389	124,162
Total liabilities	<u>105,111</u>	<u>138,556</u>
Net assets:		
Invested in capital assets, net of related debt	611,190	578,540
Unrestricted	1,051,419	967,386
Total net assets	<u>\$ 1,662,609</u>	<u>\$ 1,545,926</u>

Summary of Changes in Net Assets

	Governmental Activities	
	3/31/2009	3/31/2008
Revenues:		
Program revenues		
Charges for services	\$ 121,671	\$ 151,421
Operating grant	870	1,743
General revenues		
State shared revenues	232,097	232,066
Property taxes	264,225	265,224
Interest income	4,429	9,947
Rental income	13,380	12,000
Other income	12,159	4,945
Total revenues	<u>648,831</u>	<u>677,346</u>
Expenses		
General government	194,216	196,607
Fire protection		8,116
Recreation	17,375	13,259
Refuse	116,614	117,358
Cemetery	14,529	18,023
Public works	183,378	219,806
Interest on long-term debt	6,036	7,661
Total expenses	<u>532,148</u>	<u>580,830</u>
Changes in net assets	116,683	96,516
Beginning net assets	<u>1,545,926</u>	<u>1,449,410</u>
Ending net assets	<u>\$ 1,662,609</u>	<u>\$ 1,545,926</u>

Financial Analysis of the Township's Funds

Cohoctah Township uses only one governmental fund, the General Fund, for reporting all financial activity conducted by the Township. In the fiscal year ending March 31, 2009, the Township added \$84,033 to its General Fund fund balance, compared to \$65,491 added in the prior fiscal year.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, in accordance with Public Act 493 of 2000. The Township board made immaterial amendments during the year to bring it closer to economic reality. Expenditures exceeded final approved appropriations by \$1,175 in one functional activity.

Capital Asset and Debt Administration

The Township made no capital asset purchases in the current fiscal year.

The Township paid \$3,834 of principal to repay a land contract held for the purpose of acquiring land for the Township's fire hall. This loan calls for monthly payments of \$449.41 and matures in July 2013.

The Township paid \$31,939 in principal to repay installment loan held for purpose of acquiring land for the Township which will be used for a future Township hall, second fire station, and park land.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. State shared revenues represent a significant portion of the governmental fund revenues and its volatile nature makes it difficult to estimate the impact on the Township's budget. The Township has worked hard to position itself to weather this economic decline.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and to comply with finance-related regulations. If you have any further questions about this report or require additional information, please contact Cohoctah Township at P.O. Box 278, Cohoctah, Michigan, 48816.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
ASSETS	
Cash and cash equivalents	\$ 994,968
Receivables	
Taxes	29,066
State shared revenues	30,862
Intergovernmental	718
Fowlerville Area Fire Authority	12,527
Capital assets	
Non-depreciable	588,508
Depreciable - net of accumulated depreciation	<u>111,071</u>
Total assets	<u>1,767,720</u>
<u>LIABILITIES</u>	
LIABILITIES	
Accounts payable	16,722
Note payable	
Current portion	33,367
Non-current portion	34,858
Land contract payable	
Current portion	4,112
Non-current portion	<u>16,052</u>
Total liabilities	<u>105,111</u>
<u>NET ASSETS</u>	
NET ASSETS	
Invested in capital assets, net of related debt	611,190
Unrestricted	<u>1,051,419</u>
Total net assets	<u><u>\$ 1,662,609</u></u>

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

COHOCTAH TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ (194,216)	\$ 10,160	\$	\$ (184,056)
Recreation	(17,375)			(17,375)
Refuse	(116,614)	104,205	870	(11,539)
Cemetery	(14,529)	7,306		(7,223)
Public works	(183,378)			(183,378)
Interest/fees on long-term debt	(6,036)			(6,036)
Total governmental activities	<u>\$ (532,148)</u>	<u>\$ 121,671</u>	<u>\$ 870</u>	<u>(409,607)</u>
General Revenues:				
Property taxes				264,225
State shared revenues				232,097
Interest income				4,429
Rental income				13,380
Other income				<u>12,159</u>
Total general revenues				<u>526,290</u>
Changes in net assets				116,683
Net assets, April 1, 2008				<u>1,545,926</u>
Net assets, March 31, 2009				<u>\$ 1,662,609</u>

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

FUND
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2009

	<u>General Fund</u>
<u>ASSETS</u>	
ASSETS	
Cash and cash equivalents	\$ 994,968
Receivables	
Taxes	29,066
State shared revenues	30,862
Due from Fowlerville Fire	12,527
Due from other funds	<u>725</u>
Total assets	<u><u>\$ 1,068,148</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 16,722
Due to other funds	<u>7</u>
Total liabilities	16,729
FUND BALANCE - UNRESERVED	<u>1,051,419</u>
Total liabilities and fund balance	<u><u>\$ 1,068,148</u></u>

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

COHOCTAH TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF THE GOVERNMENTAL FUND TO THE BALANCE SHEET
MARCH 31, 2009

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

Total fund balance per balance sheet		\$ 1,051,419
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:		
Historical costs	\$ 739,643	
Depreciation	<u>(40,064)</u>	
Capital assets, net of depreciation		699,579
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. These include:		
Note payable	(68,225)	
Land contract payable	<u>(20,164)</u>	
		<u>(88,389)</u>
Net assets of governmental activities		<u><u>\$ 1,662,609</u></u>

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

COHOCTAH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2009

	General Fund
REVENUES	
Taxes - operating	\$ 99,510
Taxes - road	164,715
Licenses and permits	3,218
State shared revenues	232,097
Charges for services	121,671
Interest	4,429
Miscellaneous	23,191
	<hr/>
Total revenues	648,831
	<hr/>
EXPENDITURES	
Current	
General government	193,816
Recreation	17,375
Refuse	113,891
Cemetery	14,529
Public works	183,378
Debt service	
Principal	35,773
Interest and charges	6,036
	<hr/>
Total expenditures	564,798
	<hr/>
Net change in fund balance	84,033
FUND BALANCE, APRIL 1, 2008	967,386
	<hr/>
FUND BALANCE, MARCH 31, 2009	\$ 1,051,419
	<hr/> <hr/>

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

COHOCTAH TOWNSHIP
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2009

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

Net change in fund balance - governmental fund		\$ 84,033
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense.		
Depreciation expense		(3,123)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets reduces.		
Land contract payable	\$ 3,834	
Note payable - installment sale	<u>31,939</u>	
Total long-term debt		<u>35,773</u>
Change in net assets of governmental activities		<u><u>\$ 116,683</u></u>

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

COHOCTAH TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2009

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 2,762	\$ 5,993	\$ 8,755
Due from other funds	<u>7</u>	<u>7</u>	<u>7</u>
Total assets	<u>\$ 2,762</u>	<u>\$ 6,000</u>	<u>\$ 8,762</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 2,037	\$ 6,000	\$ 8,037
Due to other funds	<u>725</u>	<u>725</u>	<u>725</u>
Total liabilities	<u>\$ 2,762</u>	<u>\$ 6,000</u>	<u>\$ 8,762</u>

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

NOTES
TO
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cohoctah Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental fund:

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

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2008. A budget was adopted for the general fund. Amendments made during the fiscal year are reflected in the budget column.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations. Expenditures exceeded budgeted appropriations in two (2) functional activities.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the Township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2008 levy was assessed and equalized at \$123,076,251, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2008 tax levy is as follows:

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

	<u>Millage Rate</u>
Township operations	0.8086
Roads	<u>1.3384</u>
Total Township millage	<u><u>2.1470</u></u>

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT 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.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Business Tax.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Cohoctah Township as of March 31, 2009, include any and all boards, agencies, funds and account groups under the jurisdiction of the Cohoctah Township Board.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended March 31, 2009 was as follows:

	Balance 4/1/08	Additions	Deletions	Balance 3/31/09
Governmental Funds				
Capital assets not being depreciated				
Land	\$ 588,508	\$	\$	\$ 588,508
Other capital assets:				
Building and improvements	145,135			145,135
Equipment	6,000			6,000
Total other capital assets at historical cost	151,135			151,135
Less accumulated depreciation for:				
Buildings and improvements	(34,641)	(2,723)		(37,364)
Vehicles and equipment	(2,300)	(400)		(2,700)
Total accumulated depreciation	(36,941)	(3,123)		(40,064)
Other capital assets, net	114,194	(3,123)		111,071
Governmental activities capital asset, net	<u>\$ 702,702</u>	<u>\$ (3,123)</u>	<u>\$</u>	699,579
Related long-term debt outstanding at March 31, 2009				
Governmental capital assets, net related long-term debt				88,389
				<u>\$ 611,190</u>

Depreciation was charged to functions as follows:

General government	\$ 400
Parks and recreation	2,723
	<u>\$ 3,123</u>

There was \$88,389 of debt outstanding for these capital assets at March 31, 2009. Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The Township uses the straight line method to depreciate capital assets over their estimated useful lives.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 3 - CAPITAL ASSETS - continued

Depreciation expense was allocated to the following activities:

General government	\$ 400
Fire protection	<u>2,723</u>
Total	<u><u>\$ 3,123</u></u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at March 31, 2009. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2009 is \$939.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Trust and agency	\$ 7	General	\$ 7
General	<u>725</u>	Current Tax	<u>725</u>
	<u><u>\$ 732</u></u>		<u><u>\$ 732</u></u>

These payables and receivables are netted against each other for the General Fund in the Statement of Net Assets.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, 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; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated 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 has adopted an investment policy and its policy and deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 552,830	\$ 552,830
Uninsured and uncollateralized	<u>450,893</u>	<u>461,276</u>
Total	<u><u>\$ 1,003,723</u></u>	<u><u>\$ 1,014,106</u></u>

The carrying amount above includes funds from:

Primary government	\$ 994,968
Fiduciary funds	<u>8,755</u>
Total carrying amount	<u><u>\$ 1,003,723</u></u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued

The Township's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$461,276 of bank deposits (certificate of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

Concentration of credit risk attributed to the magnitude of the Township's investment in a single issuer. The Township does not have a policy to address this risk.

NOTE 6 - AGREEMENT TO LEASE COHOCTAH TOWNSHIP FIRE SUB-STATION

Cohoctah Township entered into a lease agreement to lease space to the Howell Area Fire Authority in the Cohoctah Township Fire Sub-station. The Authority is responsible for its operating expenses such as utilities, maintenance and repairs and replacements. Total income from rental operations totaled \$12,000. This lease is renewed annually. The Township does not expect a significant variance in lease terms in future fiscal periods.

NOTE 7 - GOVERNMENTAL FUND - LONG-TERM DEBT

Cohoctah Township signed a land contract due to Frederick L. Buckner for the purchase of land for the fire hall. The monthly payment is \$449.41. Interest is charged at a rate of 7% per annum with the loan maturing July 7, 2013.

Cohoctah Township entered into an installment purchase agreement with Chase Leasing in the amount of \$160,000 for the purchase of property for a Township Hall. Interest is charged at 4.47% per annum and the loan matures December 16, 2010.

A summary of this long-term obligation as of March 31, 2009, and transactions during the year then ended are as follows:

	Balance 4/1/08	Increase	Decrease	Balance 3/31/09	Due Within One Year
Land contract payable land - Frederick L. Buckner	\$ 23,998	\$	\$ 3,834	\$ 20,164	\$ 4,112
Installment purchase - Chase Leasing	100,164		31,939	68,225	33,367
Total	<u>\$ 124,162</u>	<u>\$</u>	<u>\$ 35,773</u>	<u>\$ 88,389</u>	<u>\$ 37,479</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

NOTE 7 - GOVERNMENTAL FUND - LONG-TERM DEBT - continued

The following is a schedule of principal and interest payments to service the long-term obligations of the township:

	<u>Land Contract Payable - Frederick L. Buckner</u>			<u>Installment Purchase - Land</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/2009 - 3/31/2010	\$ 4,112	\$ 1,281	\$ 5,393	\$ 33,367	\$ 3,049	\$ 36,416
4/1/2010 - 3/31/2011	4,409	984	5,393	34,858	1,558	36,416
4/1/2011 - 3/31/2012	4,728	665	5,393			
4/1/2012 - 3/31/2013	5,069	323	5,392			
4/1/2013 - 3/31/2014	1,846	29	1,875			
Totals	<u>\$ 20,164</u>	<u>\$ 3,282</u>	<u>\$ 23,446</u>	<u>\$ 68,225</u>	<u>\$ 4,607</u>	<u>\$ 72,832</u>

NOTE 8 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 9 - FIRE AUTHORITY WITHDRAWAL

Effective in 2008, Cohoctah Township has withdrawn its participation in the Fowlerville Area Fire Authority. Fire protection for those residents in that district is now being provided by the Howell Area Fire Authority. For its equity share in the Fowlerville Area Fire Authority the Township shall receive \$62,633 over 5 years. Annual principal payments are required with an interest rate of 5.625% on the balance outstanding until maturity in January 2010. Total amount outstanding at March 31, 2009 was \$12,527.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Nationwide Retirement Solutions, Inc.

REQUIRED
SUPPLEMENTARY
INFORMATION

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2009

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes - operating	\$ 95,000	\$ 95,000	\$ 99,510	\$ 4,510
Taxes - road	150,000	150,000	164,715	14,715
Licences and permits	2,000	2,000	3,218	1,218
State shared revenues	230,000	230,000	232,097	2,097
Charges for services	124,000	124,000	121,671	(2,329)
Interest	8,000	8,000	4,429	(3,571)
Miscellaneous	49,100	49,100	23,191	(25,909)
Total revenues	658,100	658,100	648,831	(9,269)
EXPENDITURES				
Township board	64,050	64,050	35,199	28,851
Supervisor	17,510	17,510	16,500	1,010
Election	7,500	9,500	6,624	2,876
Attonery	12,000	12,000	8,926	3,074
Assessor	34,000	34,000	30,638	3,362
Clerk	20,350	22,850	22,073	777
Board of review	1,700	1,700	1,534	166
Treasurer	25,300	25,300	25,219	81
Cemetery	27,200	27,200	14,529	12,671
Buildings and grounds	54,400	54,400	46,213	8,187
Public safety	25,500	25,500	5,393	20,107
Roads	215,000	215,000	172,405	42,595
Plannings and zoning	20,400	20,400	11,542	8,858
Drains at large	12,000	12,000	10,973	1,027
Streetlights	5,000	5,000	5,084	(84)
Trash pick up	120,000	120,000	113,891	6,109
Recreation	16,200	16,200	17,375	(1,175)
Insurance and bonds	13,000	13,000	11,345	1,655
Unallocated	701,990	701,990	2,043	699,947
Contingencies	69,000	65,500	7,292	58,208
Total expenditures	1,462,100	1,463,100	564,798	898,302
Net change in fund balance	(804,000)	(805,000)	84,033	889,033
FUND BALANCE, APRIL 1, 2008	967,386	967,386	967,386	
FUND BALANCE, MARCH 31, 2009	\$ 163,386	\$ 162,386	\$ 1,051,419	\$ 889,033

SUPPLEMENTARY
INFORMATION

COHOCTAH TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
MARCH 31, 2009

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 2,762	\$ 5,993	\$ 8,755
Due from other funds	<u>7</u>	<u>7</u>	<u>7</u>
Total assets	<u>\$ 2,762</u>	<u>\$ 6,000</u>	<u>\$ 8,762</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 2,037	\$ 6,000	\$ 8,037
Due to other funds	<u>725</u>	<u>725</u>	<u>725</u>
Total liabilities	<u>\$ 2,762</u>	<u>\$ 6,000</u>	<u>\$ 8,762</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes - operating	\$	\$ 99,510	\$
Taxes - road		164,715	
Licenses and permits		3,218	
State shared revenues		232,097	
Charges for services		121,671	
Interest		4,429	
Miscellaneous		23,191	
Total revenues	658,100	648,831	(9,269)
EXPENDITURES			
Township board	64,050	35,199	28,851
Supervisor	17,510	16,500	1,010
Election	9,500	6,624	2,876
Attorney	12,000	8,926	3,074
Assessor	34,000	30,638	3,362
Clerk	22,850	22,073	777
Board of review	1,700	1,534	166
Treasurer	25,300	25,219	81
Cemetery	27,200	14,529	12,671
Buildings and grounds	54,400	46,213	8,187
Public safety	25,500	5,393	20,107
Roads	215,000	172,405	42,595
Planning and zoning	20,400	11,542	8,858
Drains at large	12,000	10,973	1,027
Streetlights	5,000	5,084	(84)
Trash pick up	120,000	113,891	6,109
Recreation	16,200	17,375	(1,175)
Insurance and bonds	13,000	11,345	1,655
Unallocated	701,990	2,043	699,947
Contingencies	65,500	7,292	58,208
Total expenditures	1,463,100	564,798	898,302
Net change in fund balance	(805,000)	84,033	889,033
FUND BALANCE, APRIL 1, 2008	967,386	967,386	
FUND BALANCE, MARCH 31, 2009	\$ 162,386	\$ 1,051,419	\$ 889,033

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
TAXES - OPERATING	\$ 95,000	\$ 99,510	\$ 4,510
TAXES - ROAD	150,000	164,715	14,715
LICENSES AND PERMITS	2,000	3,218	1,218
STATE SHARED REVENUES	230,000	232,097	2,097
CHARGES FOR SERVICES			
Right of way		4,227	
Trash pick up		103,375	
Franchise fees		1,321	
Burial service and cemetery plots		7,306	
Tax collection fees		5,442	
Total charges for services	124,000	121,671	(2,329)
INTEREST	8,000	4,429	(3,571)
MISCELLANEOUS			
Solid waste grant		870	
Fire Authority dissolution - interest		1,436	
Insurance refund		1,000	
Rental income		13,380	
Election reimbursement		1,819	
Other		4,686	
Total other revenues	49,100	23,191	(25,909)
Total revenues	\$ 658,100	\$ 648,831	\$ (9,269)

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD			
Fees	\$	\$ 4,680	\$
Secretary wages		9,530	
Supplies		1,009	
Contracted services		2,610	
Newsletter		1,571	
Conferences		4,157	
Publishing		2,605	
Dues		2,556	
Other		1,081	
Audit fees		5,400	
	<u>64,050</u>	<u>35,199</u>	<u>28,851</u>
Total township board			
SUPERVISOR			
Salary	<u>17,510</u>	<u>16,500</u>	<u>1,010</u>
ELECTION			
Fees		4,346	
Supplies		1,508	
Repairs and maintenance		770	
	<u>9,500</u>	<u>6,624</u>	<u>2,876</u>
Total election			
ATTORNEY	<u>12,000</u>	<u>8,926</u>	<u>3,074</u>
ASSESSOR			
Contracted services		29,000	
Supplies		1,638	
	<u>34,000</u>	<u>30,638</u>	<u>3,362</u>
Total assessor			
CLERK			
Salary		16,500	
Deputy wages		3,338	
Mileage		769	
Supplies		1,466	
	<u>22,850</u>	<u>22,073</u>	<u>777</u>
Total clerk			

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED MARCH 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BOARD OF REVIEW			
Fees		1,260	
Publishing		274	
Total board of review	<u>1,700</u>	<u>1,534</u>	<u>166</u>
TREASURER			
Salary		16,500	
Deputy		2,315	
Mileage		788	
Supplies		1,366	
Contracted services		4,250	
Total treasurer	<u>25,300</u>	<u>25,219</u>	<u>81</u>
CEMETERY			
Clerical wages		238	
Improvements		399	
Lawn care		6,600	
Grave opening		6,118	
Repair and maintenance		1,174	
Total cemetery	<u>27,200</u>	<u>14,529</u>	<u>12,671</u>
BUILDINGS AND GROUNDS			
Wages		550	
Supplies		84	
Telephone		4,697	
Utilities		2,780	
Repairs and maintenance		1,686	
Debt repayment - principal		31,939	
Debt repayment - interest		4,477	
Total buildings and grounds	<u>54,400</u>	<u>46,213</u>	<u>8,187</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED MARCH 31, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY - FIRE			
Debt repayment - principal		3,834	
Debt repayment - interest		1,559	
Total public safety - fire	25,500	5,393	20,107
ROADS			
Road - repairs and maintenance		63,214	
Dust control		109,191	
Total roads	215,000	172,405	42,595
PLANNING AND ZONING			
Wages		6,806	
Fees		2,780	
Mileage		591	
Supplies		250	
Publishing		1,115	
Total planning and zoning	20,400	11,542	8,858
DRAINS AT LARGE	12,000	10,973	1,027
STREETLIGHTS	5,000	5,084	(84)
TRASH PICK UP	120,000	113,891	6,109
RECREATION			
Park improvements		6,900	
Maintenance		3,860	
Recreation		3,713	
Community promotion		2,173	
Wages		318	
Utilities		411	
Total recreation	16,200	17,375	(1,175)
INSURANCE AND BONDS	13,000	11,345	1,655
UNALLOCATED	701,990	2,043	699,947
CONTINGENCIES	65,500	7,292	58,208
Total expenditures	\$ 1,463,100	\$ 564,798	\$ 898,302



PFEFFER ■ HANNIFORD ■ PALKA

Certified Public Accountants

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August 5, 2009

Board of Trustees
Cohoctah Township
P.O. Box 278
Cohoctah, Michigan 48816

Dear Honorable Board of Trustees:

During our audit of Cohoctah Township we came across the following matters that we would like to discuss with you as part of our audit presentation for the year ending March 31, 2009.

The matters which we would like to discuss with you are as follows:

Auditing standards require us to formally communicate to you deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the current standards are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

We consider the following to be material weaknesses of the Township:

- Historically, the Township has relied on independent external auditors in the preparation of their financial statements and required disclosures. The Township has determined that the cost/benefit of preparing the financial statements and disclosures are best served by continuing this practice.
- There is a lack of segregation of duties.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of Cohoctah Township.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of Cohoctah Township and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants