

COHOCTAH TOWNSHIP

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED MARCH 31, 2010

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 30, 2010

Board of Trustees
Cohoctah Township
10518 Antcliff Road
Fowlerville, MI 48836

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, 2010, 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, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information of pages 6 through 9 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2010. 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 \$1,796,512. This is an increase of \$133,903 over last year's net assets of \$1,662,609.

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

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>3/31/2010</u>	<u>3/31/2009</u>
Current and other assets	\$ 1,039,404	\$ 1,068,141
Capital assets	788,690	699,579
Total assets	<u>1,828,094</u>	<u>1,767,720</u>
Accounts payable	15,530	16,722
Notes/land contract payables	16,052	88,389
Total liabilities	<u>31,582</u>	<u>105,111</u>
Net assets:		
Invested in capital assets, net of related debt	772,638	611,190
Unrestricted	1,023,874	1,051,419
Total net assets	<u>\$ 1,796,512</u>	<u>\$ 1,662,609</u>

Summary of Changes in Net Assets

	Governmental Activities	
	3/31/2010	3/31/2009
Revenues:		
Program revenues		
Charges for services	\$ 122,800	\$ 121,671
Operating grant		870
General revenues		
State shared revenues	207,448	232,097
Property taxes	271,641	264,225
Interest income	15,860	4,429
Rental income	13,380	13,380
Other income	2,924	12,159
Total revenues	634,053	648,831
Expenses		
General government	178,259	194,216
Fire protection	3,032	
Recreation	10,961	17,375
Refuse	94,173	116,614
Cemetery	21,382	14,529
Public works	186,967	183,378
Interest on long-term debt	5,376	6,036
Total expenses	500,150	532,148
Changes in net assets	133,903	116,683
Beginning net assets	1,662,609	1,545,926
Ending net assets	\$ 1,796,512	\$ 1,662,609

Financial Analysis of the Township's Funds

Cohoctah Township uses two governmental funds, the General Fund and the Capital Improvement Fund. In the fiscal year ending March 31, 2010, the General Fund reduced its fund balance by \$228,706 due to operating transfers to the new Capital Improvement account.

The Capital Improvement Fund added \$201,161 to its fund balance due to a \$200,000 operating transfer from the General Fund.

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 \$104 in one functional activity.

Capital Asset and Debt Administration

The Township made two capital asset purchases in the current fiscal year totaling \$92,542. The capital assets were mainly fire hall improvements.

The Township paid \$4,112 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 off the 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 10518 Antcliff Road, Fowlerville, MI 48836.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2010

	<u>ASSETS</u>	<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents		\$ 980,041
Receivables		
Taxes		29,106
State shared revenues		30,197
Accounts		60
Capital assets		
Non-depreciable		588,508
Depreciable, net of accumulated depreciation		<u>200,182</u>
Total assets		<u>1,828,094</u>
<u>LIABILITIES</u>		
LIABILITIES		
Accounts payable		11,405
Accrued wages		4,125
Land contract payable		
Current portion		4,409
Non-current portion		<u>11,643</u>
Total liabilities		<u>31,582</u>
<u>NET ASSETS</u>		
NET ASSETS		
Invested in capital assets, net of related debt		772,638
Unrestricted		<u>1,023,874</u>
Total net assets		<u>\$ 1,796,512</u>

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

COHOCTAH TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Assets</u> Governmental Activities
Governmental activities:			
General government	\$ (178,259)	\$ 22,941	\$ (155,318)
Fire protection	(3,032)	677	(2,355)
Community development/recreation	(10,961)		(10,961)
Refuse	(94,173)	85,010	(9,163)
Cemetery	(21,382)	14,172	(7,210)
Public works	(186,967)		(186,967)
Interest on long-term debt	(5,376)		(5,376)
	<u>\$ (500,150)</u>	<u>\$ 122,800</u>	<u>(377,350)</u>
Total governmental activities			
		General Revenues:	
		Property taxes	271,641
		State shared revenues	207,448
		Interest income	15,860
		Rental income	13,380
		Other income	2,924
		Total general revenues	<u>511,253</u>
		Changes in net assets	133,903
		Net assets, April 1, 2009	<u>1,662,609</u>
		Net assets, March 31, 2010	<u>\$ 1,796,512</u>

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

FUND
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2010

	General Fund	Capital Improvement Fund	Totals
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 778,880	\$ 201,161	\$ 980,041
Receivables			
Taxes	29,106		29,106
State shared revenues	30,197		30,197
Due from other funds	123		123
	<u>838,306</u>	<u>201,161</u>	<u>1,039,467</u>
Total assets	<u>\$ 838,306</u>	<u>\$ 201,161</u>	<u>\$ 1,039,467</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 11,405		\$ 11,405
Accrued wages	4,125		4,125
Due to other funds	63		63
	<u>15,593</u>	<u>201,161</u>	<u>1,023,874</u>
Total liabilities	<u>15,593</u>	<u>201,161</u>	<u>1,023,874</u>
FUND BALANCE - UNRESERVED	<u>822,713</u>	<u>201,161</u>	<u>1,023,874</u>
Total liabilities and fund balance	<u>\$ 838,306</u>	<u>\$ 201,161</u>	<u>\$ 1,039,467</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, 2010

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

Total fund balance per balance sheet		\$ 1,023,874
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:		
Historical costs	\$ 832,186	
Depreciation	<u>(43,496)</u>	
Capital assets, net of depreciation		788,690
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. These include:		
Land contract payable		<u>(16,052)</u>
 Net assets of governmental activities		 <u><u>\$ 1,796,512</u></u>

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

COHOCTAH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2010

	General Fund	Capital Improvement Fund	Totals
REVENUES			
Property taxes	\$ 271,641	\$	\$ 271,641
Licenses and permits	1,854		1,854
State shared revenues	207,448		207,448
Charges for services	120,269		120,269
Interest	14,699	1,161	15,860
Miscellaneous	16,981		16,981
	<u>632,892</u>	<u>1,161</u>	<u>634,053</u>
Total revenues			
EXPENDITURES			
Current			
General government	177,860		177,860
Recreation	10,961		10,961
Refuse	94,173		94,173
Cemetery	21,382		21,382
Public works	186,967		186,967
Capital outlay			
General government	13,183		13,183
Public safety	79,359		79,359
Debt service			
Principal	72,337		72,337
Interest and charges	5,376		5,376
	<u>661,598</u>		<u>661,598</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>(28,706)</u>	<u>1,161</u>	<u>(27,545)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		200,000	200,000
Transfers (out)	<u>(200,000)</u>		<u>(200,000)</u>
Total other financial sources (uses)	<u>(200,000)</u>	<u>200,000</u>	
Net changes in fund balances	(228,706)	201,161	(27,545)
FUND BALANCE, APRIL 1, 2009	<u>1,051,419</u>		<u>1,051,419</u>
FUND BALANCE, MARCH 31, 2010	<u>\$ 822,713</u>	<u>\$ 201,161</u>	<u>\$ 1,023,874</u>

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, 2010

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

Net change in fund balance - governmental fund		\$ (27,545)
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.		
Capital outlay added	\$ 92,543	
Depreciation expense	<u>(3,432)</u>	
Total		89,111
Repayment of land contract payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets reduces.		
Land contract payable	4,112	
Note payable - installment sale	<u>68,225</u>	
Total		<u>72,337</u>
Change in net assets of governmental activities		<u><u>\$ 133,903</u></u>

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

COHOCTAH TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2010

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 1,217	\$ 3,937	\$ 5,154
Due from other funds		63	63
	<u>1,217</u>	<u>4,000</u>	<u>5,217</u>
Total assets	<u>\$ 1,217</u>	<u>\$ 4,000</u>	<u>\$ 5,217</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 1,094	\$ 4,000	\$ 5,094
Due to other funds	123		123
	<u>1,217</u>	<u>4,000</u>	<u>5,217</u>
Total liabilities	<u>\$ 1,217</u>	<u>\$ 4,000</u>	<u>\$ 5,217</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, 2010

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 funds:

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.

The Capital Improvement Fund accounts for savings accumulated by the Township for future capital purchases. This is funded by operating transfers from the General Fund.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

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, 2009. 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 one (1) functional activity.

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 2009 levy was assessed and equalized at \$120,688,917, 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 2009 tax levy is as follows:

COHOCTAH TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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, 2010

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, 2010, 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, 2010 was as follows:

	Balance 4/1/09	Additions	Deletions	Balance 3/31/10
Governmental Funds				
Capital assets not being depreciated				
Land	\$ 588,508	\$	\$	\$ 588,508
Other capital assets:				
Building and improvements	145,135	92,543		237,678
Equipment	6,000			6,000
Total other capital assets at historical cost	151,135	92,543		243,678
Less accumulated depreciation for:				
Buildings and improvements	(37,364)	(3,032)		(40,396)
Vehicles and equipment	(2,700)	(400)		(3,100)
Total accumulated depreciation	(40,064)	(3,432)		(43,496)
Other capital assets, net	111,071	89,111		200,182
Governmental activities capital asset, net	\$ 699,579	\$ 89,111	\$	788,690
Related long-term debt outstanding at March 31, 2010				
Governmental capital assets, net related long-term debt				16,052
				\$ 772,638

Depreciation was charged to functions as follows:

General government	\$ 400
Parks and recreation	3,032
	\$ 3,432

There was \$16,052 of debt outstanding for these capital assets at March 31, 2010. 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, 2010

NOTE 4 - TRANSACTIONS AND BALANCES

Interfund transfers for the year ended March 31, 2010 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
Capital Improvement	General Fund	Save funds for future capital improvements	\$ 200,000

Interfund receivables and payables exist at March 31, 2010. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2010 is \$186.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Trust and agency	\$ 63	General	\$ 63
General	123	Current Tax	123
	<u>\$ 186</u>		<u>\$ 186</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)	\$ 893,160	\$ 925,710
Uninsured and uncollateralized	92,035	92,035
Total	<u>\$ 985,195</u>	<u>\$ 1,017,745</u>

The carrying amount above includes funds from:

Primary government	\$ 980,041
Fiduciary funds	5,154
Total carrying amount	<u>\$ 985,195</u>

COHOCTAH TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2010

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 \$92,035 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. This debt was retired during the fiscal year.

A summary of this long-term obligation as of March 31, 2010, and transactions during the year then ended are as follows:

	Balance 4/1/09	Increase	Decrease	Balance 3/31/10	Due Within One Year
Land contract payable land - Frederick L. Buckner	\$ 20,164	\$	\$ 4,112	\$ 16,052	\$ 4,409
Installment purchase - Chase Leasing	68,225		68,225		
Total	\$ 88,389	\$	\$ 72,337	\$ 16,052	\$ 4,409

COHOCTAH TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2010

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:

	Land Contract Payable - Frederick L. Buckner		
	Principal	Interest	Total
4/1/2010 - 3/31/2011	\$ 4,409	\$ 984	\$ 5,393
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	\$ 16,052	\$ 2,001	\$ 18,053

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 were required with an interest rate of 5.625% on the balance outstanding until it matured in January 2010.

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, 2010

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 245,000	\$ 245,000	\$ 271,641	\$ 26,641
Licences and permits	2,000	2,000	1,854	(146)
State shared revenues	229,000	229,000	207,448	(21,552)
Charges for services	106,000	106,000	120,269	14,269
Interest	5,000	5,000	14,699	9,699
Miscellaneous	46,300	46,300	16,981	(29,319)
Total revenues	633,300	633,300	632,892	(408)
EXPENDITURES				
Township board	51,550	51,550	29,845	21,705
Supervisor	17,510	17,510	16,500	1,010
Election	3,900	3,900	900	3,000
Attorney	12,000	12,000	6,893	5,107
Assessor	34,000	34,000	30,859	3,141
Clerk	21,200	21,200	17,587	3,613
Board of review	1,500	1,500	1,604	(104)
Treasurer	27,000	27,000	24,601	2,399
Cemetery	27,300	27,300	21,382	5,918
Buildings and grounds	97,200	100,700	100,552	148
Public safety	85,400	85,400	84,752	648
Roads	210,000	210,000	172,568	37,432
Plannings and zoning	27,700	27,700	18,302	9,398
Drains at large	12,000	12,000	8,548	3,452
Streetlights	5,000	6,400	5,851	549
Trash pick up	110,000	110,000	94,173	15,827
Recreation	16,200	16,200	10,961	5,239
Insurance and bonds	12,000	12,000	11,272	728
Unallocated	599,840	599,840	1,934	597,906
Contingencies	77,000	71,400	2,514	68,886
Total expenditures	1,448,300	1,447,600	661,598	786,002
Excess of revenues over (under) expenditures	(815,000)	(814,300)	(28,706)	785,594
OTHER FINANCING SOURCES (USES)				
Transfers (out)		(200,000)	(200,000)	
Net change in fund balance	(815,000)	(1,014,300)	(228,706)	785,594
FUND BALANCE, APRIL 1, 2009	1,051,419	1,051,419	1,051,419	
FUND BALANCE, MARCH 31, 2010	<u>\$ 236,419</u>	<u>\$ 37,119</u>	<u>\$ 822,713</u>	<u>\$ 785,594</u>

SUPPLEMENTARY
INFORMATION

COHOCTAH TOWNSHIP
 COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 MARCH 31, 2010

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 1,217	\$ 3,937	\$ 5,154
Due from other funds		63	63
	<u>1,217</u>	<u>4,000</u>	<u>5,217</u>
Total assets	<u>\$ 1,217</u>	<u>\$ 4,000</u>	<u>\$ 5,217</u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 1,094	\$ 4,000	\$ 5,094
Due to other funds	123		123
	<u>1,217</u>	<u>4,000</u>	<u>5,217</u>
Total liabilities	<u>\$ 1,217</u>	<u>\$ 4,000</u>	<u>\$ 5,217</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 245,000	\$ 271,641	\$ 26,641
Licenses and permits	2,000	1,854	(146)
State shared revenues	229,000	207,448	(21,552)
Charges for services	106,000	120,269	14,269
Interest	5,000	14,699	9,699
Miscellaneous	46,300	16,981	(29,319)
Total revenues	633,300	632,892	(408)
EXPENDITURES			
Township board	51,550	29,845	21,705
Supervisor	17,510	16,500	1,010
Election	3,900	900	3,000
Attorney	12,000	6,893	5,107
Assessor	34,000	30,859	3,141
Clerk	21,200	17,587	3,613
Board of review	1,500	1,604	(104)
Treasurer	27,000	24,601	2,399
Cemetery	27,300	21,382	5,918
Buildings and grounds	100,700	100,552	148
Public safety	85,400	84,752	648
Roads	210,000	172,568	37,432
Planning and zoning	27,700	18,302	9,398
Drains at large	12,000	8,548	3,452
Streetlights	6,400	5,851	549
Trash pick up	110,000	94,173	15,827
Recreation	16,200	10,961	5,239
Insurance and bonds	12,000	11,272	728
Unallocated	599,840	1,934	597,906
Contingencies	71,400	2,514	68,886
Total expenditures	1,447,600	661,598	786,002
Excess of revenues over (under) expenditures	(814,300)	(28,706)	785,594
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(200,000)	(200,000)	
Net change in fund balance	(1,014,300)	(228,706)	785,594
FUND BALANCE, APRIL 1, 2009	1,051,419	1,051,419	
FUND BALANCE, MARCH 31, 2010	\$ 37,119	\$ 822,713	\$ 785,594

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TAXES	\$ 245,000	\$ 271,641	\$ 26,641
LICENSES AND PERMITS	2,000	1,854	(146)
STATE SHARED REVENUES	229,000	207,448	(21,552)
CHARGES FOR SERVICES			
Elections		3,203	
Right of way		4,222	
Trash pick up		85,010	
Franchise fees		4,374	
Burial service and cemetery plots		14,172	
Tax collection fees		5,388	
Miscellaneous		3,900	
Total charges for services	<u>106,000</u>	<u>120,269</u>	<u>14,269</u>
INTEREST	<u>5,000</u>	<u>14,699</u>	<u>9,699</u>
MISCELLANEOUS			
Fire Authority dissolution - interest		677	
Insurance refund		368	
Rental income		13,380	
Other		2,556	
Total other revenues	<u>46,300</u>	<u>16,981</u>	<u>(29,319)</u>
Total revenues	<u>\$ 633,300</u>	<u>\$ 632,892</u>	<u>\$ (408)</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TOWNSHIP BOARD			
Fees	\$	\$ 4,550	\$
Secretary wages		7,815	
Mileage		112	
Supplies		240	
Contracted services		7,326	
Conferences		3,318	
Publishing		1,342	
Dues		2,437	
Small equipment		1,182	
Telephone		811	
Bank fees		712	
Total township board	<u>51,550</u>	<u>29,845</u>	<u>21,705</u>
SUPERVISOR			
Salary	<u>17,510</u>	<u>16,500</u>	<u>1,010</u>
ELECTION			
Fees		521	
Supplies		379	
Total election	<u>3,900</u>	<u>900</u>	<u>3,000</u>
ATTORNEY	<u>12,000</u>	<u>6,893</u>	<u>5,107</u>
ASSESSOR			
Contracted services		29,000	
Supplies		1,859	
Total assessor	<u>34,000</u>	<u>30,859</u>	<u>3,141</u>
CLERK			
Salary		16,500	
Deputy wages		380	
Mileage		285	
Supplies		422	
Total clerk	<u>21,200</u>	<u>17,587</u>	<u>3,613</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED MARCH 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BOARD OF REVIEW			
Fees		1,330	
Publishing		274	
Total board of review	<u>1,500</u>	<u>1,604</u>	<u>(104)</u>
TREASURER			
Salary		16,500	
Deputy		1,052	
Mileage		916	
Supplies		1,469	
Contracted services		4,664	
Total treasurer	<u>27,000</u>	<u>24,601</u>	<u>2,399</u>
CEMETERY			
Wages		8,075	
Improvements		4,012	
Lawn care		6,600	
Grave opening		1,645	
Repair and maintenance		1,050	
Total cemetery	<u>27,300</u>	<u>21,382</u>	<u>5,918</u>
BUILDINGS AND GROUNDS			
Wages		125	
Supplies		190	
Telephone		4,878	
Utilities		2,322	
Repairs and maintenance		7,534	
Improvements		13,183	
Debt repayment - principal		68,225	
Debt repayment - interest		4,095	
Total buildings and grounds	<u>100,700</u>	<u>100,552</u>	<u>148</u>
PUBLIC SAFETY - FIRE			
Fire hall improvements		79,359	
Debt repayment - principal		4,112	
Debt repayment - interest		1,281	
Total public safety - fire	<u>85,400</u>	<u>84,752</u>	<u>648</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED MARCH 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ROADS			
Road - repairs and maintenance		100,000	
Dust control		72,568	
Total roads	<u>210,000</u>	<u>172,568</u>	<u>37,432</u>
PLANNING AND ZONING			
Wages		9,078	
Master plan		5,888	
Mileage		437	
Supplies		158	
Publishing		2,741	
Total planning and zoning	<u>27,700</u>	<u>18,302</u>	<u>9,398</u>
DRAINS AT LARGE	<u>12,000</u>	<u>8,548</u>	<u>3,452</u>
STREETLIGHTS	<u>6,400</u>	<u>5,851</u>	<u>549</u>
TRASH PICK UP	<u>110,000</u>	<u>94,173</u>	<u>15,827</u>
RECREATION			
Park improvements		386	
Maintenance		3,743	
Recreation - contracted		3,758	
Community promotion		2,455	
Wages		88	
Utilities		531	
Total recreation	<u>16,200</u>	<u>10,961</u>	<u>5,239</u>
INSURANCE AND BONDS	<u>12,000</u>	<u>11,272</u>	<u>728</u>
UNALLOCATED			
Payroll taxes	<u>599,840</u>	<u>1,934</u>	<u>597,906</u>
CONTINGENCIES	<u>71,400</u>	<u>2,514</u>	<u>68,886</u>
Total expenditures	<u>\$ 1,447,600</u>	<u>\$ 661,598</u>	<u>\$ 786,002</u>



PFEFFER ■ HANNIFORD ■ PALKA
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August 30, 2010

Board of Trustees
Cohoctah Township
10518 Antcliff Road
Fowlerville, MI 48836

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, 2010.

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.
- As in most small organizations, the Township has a lack of segregation of duties in its accounting department.

The following are other comments relating to the Township's accounting and record keeping procedures:

- An individual that is no longer with the Township is still able to sign checks. The Township should update its list of authorized check signors with the approved banks.
- The Board should specifically approve which bank institutions new accounts are going into.

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