

LAKE CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

December 31, 2009

**LAKE CHARTER TOWNSHIP
Township Board Members
December 31, 2009**

TOWNSHIP BOARD

John Gast	Supervisor
Gloria Payne	Clerk
Betty Korcek	Treasurer
Terry Eichler	Trustee
Patricia Heyn	Trustee
James Stine, Jr.	Trustee
Tom Carson	Trustee

LAKE CHARTER TOWNSHIP
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December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Lake Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Charter Township, Michigan as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Charter Township, Michigan, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 32 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 operational, 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 Lake Charter Township, Michigan's financial statements as a whole. The combining non-major governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher, PLLC
June 29, 2010

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net assets decreased 1.6% from a year ago—decreasing from \$27,836,773 to \$27,403,034. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$95,573 during the year, while the business-type activities experienced a decrease in net assets of \$529,312.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Lake Charter Township Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as general, capital projects and cemetery.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet >Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets >Statement of revenues, expenditures, and changes in fund balances. >Statement of cash flows	> Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township’s net assets and how they have changed. Net assets are the difference between the Township’s assets and liabilities, which is one way to measure the Township’s financial health, or position.

- Over time, increases or decreases in the Township’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township’s property tax base and condition of the Township’s infrastructure.

Government-wide Statements, Concluded

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. cemetery or capital projects monies) or to show that it is properly using certain taxes and grants (i.e. debt service monies).

The Township has the following three kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$27,403,034. In a condensed format the following table below shows a breakdown of the net assets:

			Total	
	Governmental Activities	Business-Type Activities	December 31, 2009	December 31, 2008
Current Assets	\$ 5,732,219	\$ 861,539	\$ 6,593,758	\$ 8,817,863
Equity Investment	-	3,287,814	3,287,814	3,294,838
Capital Assets	4,798,345	22,813,969	27,612,314	25,582,625
Other Assets	-	67,475	67,475	71,102
Total Assets	\$ 10,530,564	\$ 27,030,797	\$ 37,561,361	\$ 37,766,428
Long-term debt outstanding	\$ -	\$ 6,897,000	\$ 6,897,000	\$ 7,140,000
Other liabilities	3,032,916	228,411	3,261,327	2,789,655
Total Liabilities	\$ 3,032,916	\$ 7,125,411	\$ 10,158,327	\$ 9,929,655
Net Assets				
Invested in capital assets, net of related debt	\$ 4,798,345	\$ 16,263,969	\$ 21,062,314	\$ 18,802,625
Unrestricted	2,699,303	3,641,417	6,340,720	9,034,148
Total Net Assets	\$ 7,497,648	\$ 19,905,386	\$ 27,403,034	\$ 27,836,773

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$2,522,445 for the governmental activities. This is primarily due to the Township's use of existing available cash on hand to fund capital acquisitions related to the new public safety building totaling approximately \$2.7 million. The current level of unrestricted net assets for governmental activities stands at \$2,699,303.

The following table shows the change in net assets for the year ended December 31, 2009.

	Governmental Activities	Business-Type Activities	<u>Total</u>	
			December 31, <u>2009</u>	December 31, <u>2008</u>
Program Revenues				
Charges for services	\$ 48,027	\$ 1,255,413	\$ 1,303,440	\$ 1,272,331
General Revenues				
Property Taxes	2,467,358	-	2,467,358	2,234,633
State Shared Revenues	195,056	-	195,056	223,011
Interest and Rentals	266,656	53,435	320,091	414,507
Miscellaneous	41,860	-	41,860	56,045
Transfers	(880,497)	880,497	-	-
Special Items	-	5,976	5,976	4,016
Total Revenues	<u>\$ 2,138,460</u>	<u>\$ 2,195,321</u>	<u>\$ 4,333,781</u>	<u>\$ 4,204,543</u>
Program Expenses				
General Government	\$ 981,324	\$ -	\$ 981,324	\$ 875,176
Public Safety	688,254	-	688,254	644,541
Public Works	53,303	-	53,303	10,559
Recreation and Culture	71,840	-	71,840	100,227
Sanitation	156,181	-	156,181	157,060
Library	91,985	-	91,985	82,028
Water	-	2,036,957	2,036,957	1,904,977
Sewer	-	687,676	687,676	616,398
Total Expenses	<u>\$ 2,042,887</u>	<u>\$ 2,724,633</u>	<u>\$ 4,767,520</u>	<u>\$ 4,390,966</u>
Change in Net Assets	<u>\$ 95,573</u>	<u>\$ (529,312)</u>	<u>\$ (433,739)</u>	<u>\$ (186,423)</u>

The Township's net assets continue to remain healthy. The decrease in net assets is largely due to depreciation in the business-type activities. The Township has decided not to charge current customers of the sewer and water system for depreciation.

Governmental Activities

The Township's total governmental revenues (not including transfers) increased \$102,218 from prior year, due to an increase in property tax revenue of \$232,725. This was offset by a decrease in interest and rental income of \$77,092. Governmental expenses increased by \$173,296 from prior year primarily due to an increase in personnel costs and professional fees.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from our water plant and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2009, revenues (not including transfers) remained relatively constant, increasing only by \$27,020. Operating expenses increased by \$203,258 largely due to increased personnel costs within the Water Fund and an increase in contracted service fees paid to the GRSD Sewer Authority.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2009 included the General Fund and Capital Projects Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, library, sanitation, and other. The most significant is general government, which incurred expenses of \$775,885 in 2009. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. There were no budget amendments made during 2009.

Capital Asset and Debt Administration

At the end of December 31, 2009, the Township had investment in capital assets for its governmental and business-type activities of \$27,612,314 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively, in accordance with G.A.S.B. #34.

During 2009, the Township acquired approximately \$3.1 million of capital assets. Approximately \$2.7 million of these current year additions relate to the Township's new public safety building and is recorded as construction in progress.

Long-Term Debt

During 2008, the Township issued \$7,000,000 in general obligation capital improvement bonds for the purpose of funding improvements of the Township's water system. The improvements consisted of a new water storage tank and a membrane water filtration system. The Township made principal payments of \$230,000 during 2009. Total interest paid on the bonds was \$276,781 in 2009.

During 2007, the GRSD Sewer Authority issued \$1,800,000 of general obligation bonds for the purpose of various capital improvements. The responsibility of the repayment of the debt is shared equally with the cities of Bridgman and New Buffalo, and the Townships of New Buffalo and Chickaming (\$360,000). The Authority anticipates to make the debt payments on these bonds with excess reserves on behalf of the municipalities. During 2009 principal payments of \$13,000 were made by the Authority on behalf of the Township.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenue over expenditures in the governmental funds and the business-type activity funds will attempt to have positive cash flows.

The Township expects to complete construction of its new public safety building in June 2010. Additional costs of approximately \$1.6 million are expected to be incurred during 2010 related to this project and will be funded by existing cash available in the Capital Projects Fund and the General Fund.

Contacting the Township's Management

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

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 543,715	\$ 248,407	\$ 792,122
Certificates of Deposit	2,540,147	334,737	2,874,884
Other Investments	23,701	-	23,701
Receivables, Net	32,715	150,240	182,955
Inventory	-	96,263	96,263
Internal Balances	46,096	5,642	51,738
Due From Fiduciary Funds	2,473,713	-	2,473,713
Prepaid Expenses	72,132	26,250	98,382
Equity Investment	-	3,287,814	3,287,814
Capital Assets, Net	4,798,345	22,813,969	27,612,314
Deferred Charges	-	67,475	67,475
Total Assets	<u>\$ 10,530,564</u>	<u>\$ 27,030,797</u>	<u>\$ 37,561,361</u>
Liabilities			
Accounts Payable	\$ 477,120	\$ 118,993	\$ 596,113
Accrued Sick Pay	24,904	63,322	88,226
Internal Balances	5,642	46,096	51,738
Deferred Revenue	2,525,250	-	2,525,250
Noncurrent Liabilities			
Due Within One Year	-	253,000	253,000
Due in More Than One Year	-	6,644,000	6,644,000
Total Liabilities	<u>\$ 3,032,916</u>	<u>\$ 7,125,411</u>	<u>\$ 10,158,327</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	\$ 4,798,345	\$ 16,263,969	\$ 21,062,314
Unrestricted	2,699,303	3,641,417	6,340,720
Total Net Assets	<u>\$ 7,497,648</u>	<u>\$ 19,905,386</u>	<u>\$ 27,403,034</u>

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

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Governmental Activities</i>							
General Government	\$ 981,324	\$ 26,044	\$ -	\$ -	\$ (955,280)		\$ (955,280)
Public Safety	688,254	21,983	-	-	(666,271)		(666,271)
Public Works	53,303	-	-	-	(53,303)		(53,303)
Recreation and Culture	71,840	-	-	-	(71,840)		(71,840)
Sanitation	156,181	-	-	-	(156,181)		(156,181)
Library	91,985	-	-	-	(91,985)		(91,985)
Total Governmental Activities	<u>\$ 2,042,887</u>	<u>\$ 48,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,994,860)</u>		<u>\$ (1,994,860)</u>
<i>Business-Type Activities</i>							
Water	\$ 2,036,957	\$ 1,035,158	\$ -	\$ -		\$ (1,001,799)	\$ (1,001,799)
Sewer	687,676	220,255	-	-		(467,421)	(467,421)
Total Business-Type Activities	<u>\$ 2,724,633</u>	<u>\$ 1,255,413</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (1,469,220)</u>	<u>\$ (1,469,220)</u>
Total Primary Government	<u>\$ 4,767,520</u>	<u>\$ 1,303,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,994,860)</u>	<u>\$ (1,469,220)</u>	<u>\$ (3,464,080)</u>
General Revenues							
Property Taxes					\$ 2,467,358	\$ -	\$ 2,467,358
State Shared Revenues					195,056	-	195,056
Interest and Rentals					266,656	53,435	320,091
Miscellaneous					41,860	-	41,860
Transfers					(880,497)	880,497	-
<i>Special items-</i> Income from Joint Venture					-	5,976	5,976
Total General Revenues and Special Items					<u>\$ 2,090,433</u>	<u>\$ 939,908</u>	<u>\$ 3,030,341</u>
Change in Net Assets					\$ 95,573	\$ (529,312)	\$ (433,739)
Net Assets-Beginning					7,402,075	20,434,698	27,836,773
Net Assets-Ending					<u>\$ 7,497,648</u>	<u>\$ 19,905,386</u>	<u>\$ 27,403,034</u>

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

LAKE CHARTER TOWNSHIP

**GOVERNMENTAL FUND BALANCE SHEET
December 31, 2009**

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 415,386	\$ 100,831	\$ 27,498	\$ 543,715
Certificate of Deposits (maturity > three months)	1,569,750	967,348	3,049	2,540,147
Other Investments	23,701	-	-	23,701
Receivables, net	32,715	-	-	32,715
Prepaid Expenses	72,132	-	-	72,132
Due from Proprietary Funds	-	46,096	-	46,096
Due From Other Governmental Funds	-	-	6,800	6,800
Due from Fiduciary Funds	2,473,713	-	-	2,473,713
Total Assets	<u>\$ 4,587,397</u>	<u>\$ 1,114,275</u>	<u>\$ 37,347</u>	<u>\$ 5,739,019</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 470,366	\$ -	\$ 6,754	\$ 477,120
Accrued Sick Pay	7,885	-	17,019	24,904
Deferred Taxes	2,525,250	-	-	2,525,250
Due to Other Governmental Funds	6,800	-	-	6,800
Due to Proprietary Funds	2,767	2,875	-	5,642
Total Liabilities	<u>\$ 3,013,068</u>	<u>\$ 2,875</u>	<u>\$ 23,773</u>	<u>\$ 3,039,716</u>
Fund Balance				
Reserved for prepaid expenses	\$ 72,132	\$ -	\$ -	\$ 72,132
Unreserved:				
Designated	-	-	-	-
Undesignated	1,502,197	1,111,400	13,574	2,627,171
Total Fund Equity	<u>\$ 1,574,329</u>	<u>\$ 1,111,400</u>	<u>\$ 13,574</u>	<u>\$ 2,699,303</u>
Total Liabilities and Fund Equity	<u>\$ 4,587,397</u>	<u>\$ 1,114,275</u>	<u>\$ 37,347</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
* Capital assets used in governmental activities are not financial resources and are not reported in the funds				4,798,345
Net Assets of Governmental Activities				<u>\$ 7,497,648</u>

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

LAKE CHARTER TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2009**

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Taxes	\$ 2,467,358	\$ -	\$ -	\$ 2,467,358
Licenses and Permits	21,983	-	-	21,983
State Grants	195,056	-	-	195,056
Charges for Services	-	-	26,044	26,044
Interest and Rentals	198,948	64,782	2,926	266,656
Other Revenues	41,860	-	-	41,860
Total Revenues	<u>\$ 2,925,205</u>	<u>\$ 64,782</u>	<u>\$ 28,970</u>	<u>\$ 3,018,957</u>
Expenditures				
Current				
General Government	\$ 775,885	\$ -	\$ 185,187	\$ 961,072
Public Safety	511,029	-	-	511,029
Public Works	83,903	-	-	83,903
Recreation and Culture	114,322	-	-	114,322
Sanitation	156,181	-	-	156,181
Library	91,985	-	-	91,985
Capital Outlay	2,742,413	-	-	2,742,413
Total Expenditures	<u>\$ 4,475,718</u>	<u>\$ -</u>	<u>\$ 185,187</u>	<u>\$ 4,660,905</u>
Excess (Deficit) of Revenues Over (Under)				
Expenditures	<u>\$ (1,550,513)</u>	<u>\$ 64,782</u>	<u>\$ (156,217)</u>	<u>\$ (1,641,948)</u>
Other Financing Sources (Uses)				
Operating Transfers In	\$ 869,979	\$ -	\$ 161,911	\$ 1,031,890
Operating Transfers Out	(815,971)	(1,096,416)	-	(1,912,387)
Total Other Financing Sources(Uses)	<u>\$ 54,008</u>	<u>\$ (1,096,416)</u>	<u>\$ 161,911</u>	<u>\$ (880,497)</u>
Excess (Deficit) of Revenue and Other Sources Over (Under) Expenditures and Other Uses				
	\$ (1,496,505)	\$ (1,031,634)	\$ 5,694	\$ (2,522,445)
Fund Balance-Beginning of Year	<u>3,070,834</u>	<u>2,143,034</u>	<u>7,880</u>	
Fund Balance-End of Year	<u><u>\$ 1,574,329</u></u>	<u><u>\$ 1,111,400</u></u>	<u><u>\$ 13,574</u></u>	

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

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Change in Net Assets of Governmental Activities	<u><u>\$ 2,618,018</u></u>
	<u><u>\$ 95,573</u></u>

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

PROPRIETARY FUND STATEMENT OF NET ASSETS
December 31, 2009

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	Total Proprietary <u>Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 53,944	\$ 194,463	\$ 248,407
Certificates of Deposit (maturity > three months)	11,201	323,536	334,737
Receivables, net	101,036	49,204	150,240
Inventory	96,263	-	96,263
Prepaid Expenses	26,250	-	26,250
Due From Other Governmental Funds	2,767	2,875	5,642
Total Current Assets	<u>\$ 291,461</u>	<u>\$ 570,078</u>	<u>\$ 861,539</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 3,287,814	\$ 3,287,814
Capital Assets	14,641,715	8,172,254	22,813,969
Other	61,651	5,824	67,475
Total Noncurrent Assets	<u>\$ 14,703,366</u>	<u>\$ 11,465,892</u>	<u>\$ 26,169,258</u>
Total Assets	<u>\$ 14,994,827</u>	<u>\$ 12,035,970</u>	<u>\$ 27,030,797</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 64,950	\$ 54,043	\$ 118,993
Accrued Sick Pay	63,322	-	63,322
Due to Governmental Funds	46,096	-	46,096
Bonds Payable, current portion	240,000	13,000	253,000
Total Current Liabilities	<u>\$ 414,368</u>	<u>\$ 67,043</u>	<u>\$ 481,411</u>
Bonds Payable, less current portion	<u>\$ 6,310,000</u>	<u>\$ 334,000</u>	<u>\$ 6,644,000</u>
Total Liabilities	<u>\$ 6,724,368</u>	<u>\$ 401,043</u>	<u>\$ 7,125,411</u>
Net Assets			
Invested in Capital Assets-Net of Related Debt	\$ 8,091,715	\$ 8,172,254	\$ 16,263,969
Unrestricted	178,744	3,462,673	3,641,417
Total Net Assets	<u>\$ 8,270,459</u>	<u>\$ 11,634,927</u>	<u>\$ 19,905,386</u>

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

LAKE CHARTER TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2009**

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating Revenues			
Water Sales	\$ 1,008,059	\$ -	\$ 1,008,059
Sewage Disposal Services	-	213,825	213,825
Connections and Other Fees	27,099	6,430	33,529
Total Operating Revenues	<u>\$ 1,035,158</u>	<u>\$ 220,255</u>	<u>\$ 1,255,413</u>
Operating Expenses			
Personal Services	\$ 551,710	\$ 19,318	\$ 571,028
Contractual Services	-	410,657	410,657
Repairs and Maintenance	55,117	8,404	63,521
Other Supplies and Expenses	532,166	27,401	559,567
Depreciation	621,183	221,896	843,079
Total Operating Expenses	<u>\$ 1,760,176</u>	<u>\$ 687,676</u>	<u>\$ 2,447,852</u>
Operating Loss	<u>\$ (725,018)</u>	<u>\$ (467,421)</u>	<u>\$ (1,192,439)</u>
Nonoperating Revenues(Expenses)			
Interest and Investment Revenue	\$ 14,618	\$ 38,817	\$ 53,435
Interest Expense	(276,781)	-	(276,781)
Income from Joint Venture	-	5,976	5,976
Total Nonoperating Revenues(Expenses)	<u>\$ (262,163)</u>	<u>\$ 44,793</u>	<u>\$ (217,370)</u>
Loss Before Transfers In(Out)	\$ (987,181)	\$ (422,628)	\$ (1,409,809)
Transfers In(Out)	<u>831,719</u>	<u>48,778</u>	<u>880,497</u>
Change in Net Assets	\$ (155,462)	\$ (373,850)	\$ (529,312)
Total Net Assets-Beginning	<u>8,425,921</u>	<u>12,008,777</u>	<u>20,434,698</u>
Total Nets Assets-Ending	<u>\$ 8,270,459</u>	<u>\$ 11,634,927</u>	<u>\$ 19,905,386</u>

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

PROPRIETARY FUND STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	<u>Proprietary Funds</u>
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,247,583
Payments to Suppliers	(1,097,049)
Payments to Employees	(565,639)
Net Cash Used in Operating Activities	<u>\$ (415,105)</u>
 Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	\$ (254,750)
Transfers from Other Funds	880,497
Principal paid on Capital Debt	(230,000)
Interest paid on Capital Debt	(276,781)
Net Cash Provided by Capital and Related Financing Activities	<u>\$ 118,966</u>
 Cash Flow From Investing Activities	
Interest and Dividends	\$ 62,800
Net Investment Activity in CD's	342,202
Net Cash Provided by Investing Activities	<u>\$ 405,002</u>
 Net Increase in Cash and Cash Equivalents	\$ 108,863
Cash and Cash Equivalents-Beginning	<u>139,544</u>
 Cash and Cash Equivalents-Ending	<u><u>\$ 248,407</u></u>
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (1,192,439)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	843,079
Change in Assets and Liabilities	
Receivables, net	(7,830)
Inventory	15,967
Prepaid Expenses	(26,250)
Other Assets	3,627
Accounts Payable	(56,648)
Accrued Sick Pay	5,389
Net Cash Used Operating Activities	<u><u>\$ (415,105)</u></u>

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

**FIDUCIARY FUND-STATEMENT OF NET ASSETS
December 31, 2009**

	Agency Funds Trust & Agency Fund
Assets	
Cash and Cash Equivalents	\$ 4,588,190
Taxes Receivable	892,679
Total Assets	<u>\$ 5,480,869</u>
Liabilities	
Due to Other Governmental Funds:	
General Fund	\$ 2,473,713
Due to Other Governmental Units	3,007,156
Total Liabilities	<u>\$ 5,480,869</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Charter Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected seven-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at December 31, 2009.

Discretely Presented Component Units — The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at December 31, 2009.

Jointly Governed Organization — The Township has no jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED
B. Government-Wide and Fund Financial Statements, concluded

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2009 ad valorem tax is levied and collectible on December 1, 2009 and it is recognized as revenue in the ensuing year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2009 taxable valuation of the Township totaled \$841.6 million, on which ad valorem taxes are levied and consisted of 3.0 mills for the Township's operating purposes.

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 Projects Fund is used by the Township to fund and utilize for future capital projects.

The Township reports the following major proprietary funds:

The Water and Sewer Funds account for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Assets or Equity, continued

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township’s policy to permit employees to accumulate earned and unused sick and vacation pay benefits. There are liabilities for unpaid accumulated sick leave since the government does have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

Subsequent Events—Subsequent events have been evaluated through June 29, 2010 which is the date the financial statements were ready to be issued.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing January 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by January 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Original and Final</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government -Township Board	\$ 267,428	\$ 316,486	\$ (49,058)
Public Works - Highways and Streets	48,250	83,903	(35,653)
Library	82,028	91,985	(9,957)
Transfer to Other Funds	774,716	815,971	(41,255)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At December 31, 2009, the Township’s deposits and investments were reported in the basis financial statements in the following categories:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>	<u>Fiduciary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Funds</u>
Cash and Cash Equivalents	\$ 543,715	\$ 248,407	\$ 792,122	\$ 4,588,190
Certificate of deposits	2,540,147	334,737	2,874,884	-
Total	<u>\$ 3,083,862</u>	<u>\$ 583,144</u>	<u>\$ 3,667,006</u>	<u>\$ 4,588,190</u>

The breakdown between deposits and investments is as follows:

	<u>Primary</u>	<u>Fiduciary</u>
	<u>Government</u>	<u>Funds</u>
Bank Deposits (checking and savings accounts, C/D's)	\$ 791,257	\$ 4,588,190
Certificate of Deposits > 90 days	2,874,884	-
Petty Cash and Cash on Hand	865	-
	<u>\$ 3,667,006</u>	<u>\$ 4,588,190</u>

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it.

As of December 31, 2009, \$6,361,965 of the Township's deposits balance of \$8,103,791 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2009, the Township had no investments.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of December 31, 2009, the Township had no investments.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of December 31, 2009, the Township had no investments.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

The Township has an investment in a non-profit ambulance service. This service is jointly owned by several other local units of governments and is uninsured and unregistered. The carrying amount (\$23,701 as of December 31, 2009) and market value are considered to be the same.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major, nonmajor, proprietary and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Funds		Total
	General Fund	Capital Projects Fund	Non-Major Funds	Water and Sewer	Fiduciary Funds	
Taxes Receivable	\$ -	\$ -	\$ -	\$ -	\$ 892,679	\$ 892,679
Accounts Receivable	32,715	-	-	150,240	-	182,955
Due From Governmental Funds	-	-	6,800	5,642	-	12,442
Due From Fiduciary Funds	2,473,713	-	-	-	-	2,473,713
Due From Proprietary Funds	-	46,096	-	-	-	46,096
Net Receivables	<u>\$ 2,506,428</u>	<u>\$ 46,096</u>	<u>\$ 6,800</u>	<u>\$ 155,882</u>	<u>\$ 892,679</u>	<u>\$ 3,607,885</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 549,615	\$ -	\$ -	\$ 549,615
Construction in progress	-	2,742,413	-	2,742,413
Net capital assets not being depreciated	<u>\$ 549,615</u>	<u>\$ 2,742,413</u>	<u>\$ -</u>	<u>\$ 3,292,028</u>
Capital assets being depreciated				
Land improvements	\$ 577,000	\$ 36,228	\$ -	\$ 613,228
Buildings and building improvements	2,945,707	25,198	-	2,970,905
Vehicles	1,162,211	-	-	1,162,211
Equipment	613,595	63,792	-	677,387
Subtotal	<u>\$ 5,298,513</u>	<u>\$ 125,218</u>	<u>\$ -</u>	<u>\$ 5,423,731</u>
Less: Accumulated Depreciation	<u>(3,667,801)</u>	<u>(249,613)</u>	<u>-</u>	<u>(3,917,414)</u>
Net Capital Assets Being Depreciated	<u>\$ 1,630,712</u>	<u>\$ (124,395)</u>	<u>\$ -</u>	<u>\$ 1,506,317</u>
Governmental activities capital total capital assets-net of depreciation	<u><u>\$ 2,180,327</u></u>	<u><u>\$ 2,618,018</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,798,345</u></u>

Depreciation was charged to programs of the primary government as follows:

General Government	\$ 34,947
Public Safety	177,225
Recreation and Culture	37,441
	<u>\$ 249,613</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets being depreciated				
Infrastructure	\$21,679,289	\$ -	\$ -	\$ 21,679,289
Buildings	7,854,195	-	-	7,854,195
Machinery and equipment	8,152,157	254,750	-	8,406,907
Subtotal	<u>\$37,685,641</u>	<u>\$ 254,750</u>	<u>\$ -</u>	<u>\$ 37,940,391</u>
Less: Accumulated Depreciation	<u>(14,298,343)</u>	<u>(843,079)</u>	<u>-</u>	<u>(15,141,422)</u>
Net capital assets being depreciated	<u>\$23,387,298</u>	<u>\$ (588,329)</u>	<u>\$ -</u>	<u>\$ 22,798,969</u>
Business-Type Activities total capital assets-net of depreciation	<u><u>\$23,402,298</u></u>	<u><u>\$ (588,329)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,813,969</u></u>

Depreciation was charged to programs for the business-type activities as follows:

Water	\$ 621,183
Sewer	221,896
	<u>\$ 843,079</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
Sewer	Capital Projects	\$ 2,875
Cemetery	General	6,800
General	Trust & Agency	2,473,713
Water	General	2,767
Capital Projects	Water	46,096
		<u>\$ 2,532,251</u>
<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	
Cemetery	General	\$ 161,911
Water	General	603,697
Sewer	General	50,363
Water	Capital Projects	226,437
General	Capital Projects	869,979
Water	Sewer	1,585
Total		<u>\$ 1,913,972</u>

Transfers from the General Fund to the Cemetery Fund were made during the year to fund the operating expenses of the Township's cemetery. Transfers were made from the General Fund to the Water Fund to fund principal and interest payments made by the Water Fund for the 2007 Water bond as well as to fund certain operating costs. Transfers from the Capital Projects Fund to the Water Fund were made to fund capital additions associated with the Township's water plant expansion project. Transfers from the Capital Projects Fund to the General Fund were made to fund capital additions associated with the Township's new public safety building.

NOTE 7. DESIGNATED NET ASSETS

At December 31, 2009, the Township had no designated net assets.

NOTE 8. LONG TERM DEBT

Long term debt activity is summarized as follows:

Fund	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
<i>General Obligation Bonds</i>					
2007 Capital Improvement Bonds, dated July 31, 2007, with annual principal payments increasing from \$220,000 to \$525,000, fully maturing in 2027, with semi-annual interest payments at a rate of 4.0%	\$ 6,780,000	\$ -	\$ (230,000)	\$ 6,550,000	\$ 240,000
2007 GRSD Sewer Authority Bonds, dated May 31, 2007, with annual principal payments increasing from \$65,000 to \$390,000 beginning May 1, 2009; fully maturing in 2027, with semi-annual interest payments at a rate of 4.0%	360,000	-	(13,000)	347,000	13,000
Total business-type activities	<u>\$ 7,140,000</u>	<u>\$ -</u>	<u>\$ (243,000)</u>	<u>\$ 6,897,000</u>	<u>\$ 253,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2010	\$ 253,000	\$ 280,246	\$ 533,246
2011	264,000	270,106	534,106
2012	274,000	259,546	533,546
2013	290,000	248,566	538,566
2014	300,000	236,966	536,966
2015-2019	1,738,000	991,159	2,729,159
2020-2024	2,195,000	604,671	2,799,671
2025-2027	1,583,000	131,374	1,714,374
	<u>\$ 6,897,000</u>	<u>\$ 3,022,634</u>	<u>\$ 9,919,634</u>

NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)

The Township participates with Chikaming and New Buffalo Townships, and the Cities of New Buffalo and Bridgman in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chickaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	100.00%

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2009, with a report thereto dated May 24, 2010:

Assets	\$ 17,315,380
Liabilities	109,115
Net Assets	17,206,265
Operating Revenues	2,208,853
Operating Expenses	2,111,008
Nonoperating Expenses	126,848
Net Earnings	(29,003)

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$3,287,814 as of December 31, 2009.

NOTE 10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building and electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Year ended 12/31/2009
Revenues	\$ 21,983
Expenses	85,788
	\$ (63,805)

NOTE 12. ECONOMIC DEPENDENCY

One taxpayer in the Township, American Electric Power, accounts for 91% of the total non-homestead taxable value of real and personal property in the Township.

NOTE 13. POST EMPLOYMENT BENEFITS

The Township does not provide post employment benefits for any of its employees.

NOTE 14. EMPLOYEE RETIREMENT PLAN AND DEFERRED COMPENSATION PLANEMPLOYEE RETIREMENT PLAN

The Township provides pension benefits for all of its township board members and salaried employees over the age of 18 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township's annual contribution to the plan is equal to 8% of compensation. Employees are required to make an after tax contribution of 2% of compensation and may make additional voluntary after tax contributions ranging from 1% to 10% of compensation.

Elected officials who utilize the plan, in lieu of their compensation being subject to social security, use the above schedule or 7.5% of pay which ever is greater.

Benefits attributable to Township contributions shall be 100% vested on death, total disability or normal retirement. Upon early retirement or on termination of service, other than because of death, disability or normal retirement, such benefits shall vest upon completion of 20 months of service.

The Township's total payroll in 2009 was \$997,877. The contributions were calculated using the criteria and schedule shown above. The required contributions for 2009 for both the Township, including any fees, and employees were made and amounted to \$62,125 and \$15,531 respectively.

NOTE 15. FUTURE REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements in this statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. This new statement is effective for periods beginning after June 15, 2010, with early adoption permitted. The Township is planning to adopt this new pronouncement for the fiscal year beginning January 1, 2011.

REQUIRED SUPPLEMENTAL INFORMATION

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
December 31, 2009**

	Original and <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning of Year Fund Balance	\$ 3,070,834	\$ 3,070,834	
Resources(Inflows)			
Taxes	\$ 2,460,858	\$ 2,467,358	\$ 6,500
Licenses and Permits	18,099	21,983	3,884
State Grants	216,997	195,056	(21,941)
Interest and Rentals	303,467	198,948	(104,519)
Other Revenues	17,930	41,860	23,930
Transfer from Other Funds	1,055,829	869,979	(185,850)
Amounts Available for Appropriation	<u>\$ 4,073,180</u>	<u>\$ 3,795,184</u>	<u>\$ (277,996)</u>
Charges to Appropriations(Outflows)			
General Government			
Township Board	\$ 267,428	\$ 316,486	\$ (49,058)
Supervisor	69,714	62,843	6,871
Elections	6,000	3,759	2,241
Police Post	55,160	41,950	13,210
Clerk	58,169	53,454	4,715
Board of Review	850	634	216
Treasurer	65,169	59,071	6,098
Township Hall and grounds	239,573	229,405	10,168
Board of Appeals	3,050	1,855	1,195
Planning Commission	6,660	6,428	232
Public Safety			
Fire	209,703	156,172	53,531
Police	225,000	198,364	26,636
Ambulance	75,000	70,705	4,295
Building and Electrical Inspections	94,835	85,788	9,047
Public Works			
Highways and Streets	48,250	83,903	(35,653)
Recreation and Culture			
Parks and Recreation	153,227	114,322	38,905
Sanitation	160,000	156,181	3,819
Library	82,028	91,985	(9,957)
Capital Outlay	4,080,000	2,742,413	1,337,587
Transfer to Other Funds	774,716	815,971	(41,255)
Total Charges to Appropriations	<u>\$ 6,674,532</u>	<u>\$ 5,291,689</u>	<u>\$ 1,382,843</u>
End of Year Fund Balance	<u>\$ 469,482</u>	<u>\$ 1,574,329</u>	

OTHER SUPPLEMENTAL INFORMATION

LAKE CHARTER TOWNSHIP**COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS****December 31, 2009**

	Cemetery <u>Fund</u>	Debt Service <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
Assets			
Cash and Cash Equivalents	27,498	-	27,498
Certificates of Deposit (maturity > three months)	-	3,049	3,049
Due from other governmental funds	6,800	-	6,800
Total Assets	<u>\$ 34,298</u>	<u>\$ 3,049</u>	<u>\$ 37,347</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 6,754	\$ -	\$ 6,754
Accrued Sick Pay	17,019	-	17,019
Total Liabilities	<u>\$ 23,773</u>	<u>\$ -</u>	<u>\$ 23,773</u>
Fund Balance			
Unreserved:			
Designated	\$ -	\$ -	\$ -
Undesignated	10,525	3,049	13,574
Total Fund Equity	<u>\$ 10,525</u>	<u>\$ 3,049</u>	<u>\$ 13,574</u>
Total Liabilities and Fund Equity	<u>\$ 34,298</u>	<u>\$ 3,049</u>	<u>\$ 37,347</u>

LAKE CHARTER TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009**

	Cemetery Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues			
Charges for Services	\$ 26,044	\$ -	\$ 26,044
Interest and Rentals	2,903	23	2,926
Total Revenues	<u>\$ 28,947</u>	<u>\$ 23</u>	<u>\$ 28,970</u>
Expenditures			
Current			
General Government	\$ 185,187	\$ -	\$ 185,187
Total Expenditures	<u>\$ 185,187</u>	<u>\$ -</u>	<u>\$ 185,187</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (156,240)</u>	<u>\$ 23</u>	<u>\$ (156,217)</u>
Other Financing Sources(Uses)			
Operating Transfers In	\$ 161,911	\$ -	\$ 161,911
Operating Transfers Out	-	-	-
Total Other Financing Sources(Uses)	<u>\$ 161,911</u>	<u>\$ -</u>	<u>\$ 161,911</u>
Excess of Revenue and Other Sources Over Expenditures and Other Sources (Uses)	\$ 5,671	\$ 23	\$ 5,694
Fund Balance-Beginning of Year	4,854	3,026	7,880
Fund Balance-End of Year	<u>\$ 10,525</u>	<u>\$ 3,049</u>	<u>\$ 13,574</u>



To the Board of Trustees and Management
of Lake Charter Township

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Charter Township, Michigan as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Lake Charter Township, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Charter Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Charter Township, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Lake Charter Township, Michigan's internal control to be a significant deficiency:

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Schaffer & Layher". The signature is written in a cursive, flowing style.

Schaffer & Layher
St. Joseph, Michigan

June 29, 2010

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA