

**ROYALTON TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**MARCH 31, 2009**

**ROYALTON TOWNSHIP  
BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

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Steve Tilly, Supervisor  
Rocky Genovese, Clerk  
Michael Klug, Treasurer

Robert Basselman, Trustee  
William Foust, Trustee

## MANAGEMENT DISCUSSION AND ANALYSIS

As the management of Royalton Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Royalton Township for the fiscal year ended March 31, 2009. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

### FINANCIAL HIGHLIGHTS

The assets of Royalton Township exceeded its liabilities at the close of the most recent fiscal year by \$13,908,159. Of this amount, \$7,740,378 may be used to meet the ongoing obligations to our citizens and creditors.

The Township's total net assets decreased by \$6,112.

At the close of the current fiscal year, Royalton Township's Governmental Funds reported combined ending fund balances of \$2,475,047 an increase of \$135,072 in comparison with the prior year. Approximately \$2,172,330 of this total is available for spending at the government's discretion.

At the end of the current fiscal year, the general fund unreserved fund balance was \$1,373,033 or 196% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Royalton Township's basic financial statements. Royalton Township's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information.

#### 1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of Royalton Township's finances, in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on all of Royalton Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Royalton Township is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these Government-Wide Financial Statements distinguish Township functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of Royalton Township include general government, public safety, sanitation, health and welfare, recreation and culture, and community and economic development. The business-type activities of Royalton Township include water and sewer operations.

## **2. FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Royalton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Royalton Township can be divided into three categories: governmental funds, a proprietary fund, and a fiduciary fund.

### ***GOVERNMENTAL FUNDS***

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

Royalton Township maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund, the public welfare fund and the inspection fund.

Royalton Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

### ***PROPRIETARY FUNDS***

Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Royalton Township uses an enterprise fund to account for its water and sewer operations.

### ***FIDUCIARY FUNDS***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support Royalton Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### 3. NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Royalton Township, assets exceeded liabilities by \$13,908,159 at the close of the 2008-2009 fiscal year.

Royalton Township uses capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although Royalton Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### ROYALTON TOWNSHIP NET ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>CURRENT YEAR TOTAL</u>	<u>PRIOR YEAR TOTAL</u>
Current and other assets	\$ 2,485,403	\$ 6,664,007	\$ 9,149,410	\$ 8,396,634
Capital assets	<u>1,227,942</u>	<u>10,514,856</u>	<u>11,742,798</u>	<u>10,479,234</u>
TOTAL ASSETS	<u><b>3,713,345</b></u>	<u><b>17,178,863</b></u>	<u><b>20,892,208</b></u>	<u><b>18,875,868</b></u>
Long-term liabilities	135,059	6,700,000	6,835,059	4,798,180
Other liabilities	<u>10,356</u>	<u>138,634</u>	<u>148,990</u>	<u>163,417</u>
TOTAL LIABILITIES	<u><b>145,415</b></u>	<u><b>6,838,634</b></u>	<u><b>6,984,049</b></u>	<u><b>4,961,597</b></u>
Invested in capital assets, net of related debt	1,227,942	4,013,868	5,241,810	5,849,234
Restricted	302,717	623,254	925,971	258,284
Unrestricted	<u>2,037,271</u>	<u>5,703,107</u>	<u>7,740,378</u>	<u>7,806,753</u>
TOTAL NET ASSETS	<u><b>\$ 3,567,930</b></u>	<u><b>\$ 10,340,229</b></u>	<u><b>\$ 13,908,159</b></u>	<u><b>\$ 13,914,271</b></u>

\$901 of Royalton Township's net assets (<.01%) represents resources that are subject to external restrictions on how they may be used and \$925,070 (6.6%) is restricted for uses determined by the tax millage which generated the related revenues. The remaining balance of unrestricted net assets, (\$7,740,378) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Royalton Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**ROYALTON TOWNSHIP  
CHANGES IN NET ASSETS**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>CURRENT YEAR TOTAL</u>	<u>PRIOR YEAR TOTAL</u>
<b>REVENUES</b>				
<b>PROGRAM REVENUES</b>				
Charges for services	\$ 250,608	\$ 648,557	\$ 899,165	\$ 1,115,433
Grants and contributions	275,985	-	275,985	272,142
<b>GENERAL REVENUES</b>				
Property taxes	682,795	-	682,795	629,403
Interest earned	15,554	243,313	258,867	350,281
Gain (loss) on sale of assets	-	-	-	5,171
<b>TOTAL REVENUES</b>	<b><u>1,224,942</u></b>	<b><u>891,870</u></b>	<b><u>2,116,812</u></b>	<b><u>2,372,430</u></b>
<b>EXPENSES</b>				
Legislative	4,309	-	4,309	6,612
General government	503,974	-	503,974	484,070
Public safety	363,925	-	363,925	382,351
Public works	198,470	-	198,470	25,235
Recreation and cultural	62,149	-	62,149	56,754
Public Utility Fund	-	990,097	990,097	933,618
<b>TOTAL EXPENSES</b>	<b><u>1,132,827</u></b>	<b><u>990,097</u></b>	<b><u>2,122,924</u></b>	<b><u>1,888,640</u></b>
Change in Net Assets	92,115	(98,227)	(6,112)	483,790
Net Assets Beginning of the Year	<u>3,475,815</u>	<u>10,438,456</u>	<u>13,914,271</u>	<u>13,430,481</u>
<b>NET ASSETS END OF THE YEAR</b>	<b><u>\$ 3,567,930</u></b>	<b><u>\$ 10,340,229</u></b>	<b><u>\$ 13,908,159</u></b>	<b><u>\$ 13,914,271</u></b>

**GOVERNMENTAL ACTIVITIES**

Governmental Activities increased Royalton Township's net assets by \$92,115 resulting in a 2.7% increase in the governmental net assets of Royalton Township. Grants and contributions were \$275,985 or 23% of the total governmental revenues. Charges for services were \$250,608 or 20% of the total governmental revenues. The remaining 57% is composed of property taxes and interest income. Public safety expenditures totaled \$363,925 or 32% of the governmental expenses. General government and recreation and cultural expenditures totaled 50% of the governmental expenses.

**BUSINESS-TYPE ACTIVITIES**

Business-type Activities decreased Royalton Township's net assets by \$98,227. Charges for services were \$648,557 or 73% of the total business-type revenues. The remaining 27% is composed of interest income.

**FINANCIAL ANALYSIS OF ROYALTON TOWNSHIP'S FUNDS**

As noted earlier, Royalton Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **GOVERNMENTAL FUNDS**

The focus of Royalton Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Royalton Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year Royalton Township's Governmental Funds reported combined ending fund balances of \$2,475,047, an increase of \$135,072 in comparison with the prior year. Approximately 88% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for future projects.

The General Fund is the chief operating fund of Royalton Township. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,373,033. The General Fund balance of Royalton Township has increased by \$177,902 from the previous year.

## **PROPRIETARY FUNDS**

Royalton Township's Proprietary Fund provides the same type of information found in the Government-Wide Financial Statements, but in more detail.

Unrestricted net assets of the Public Utility Fund at the end of the year amounted to \$5,703,107. Water activity decreased net assets by \$100,469; sewer activity increased net assets by \$2,242.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Royalton Township's investment in capital assets for its governmental and business-type activities as of March 31, 2009 amounts to \$11,742,798 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and utility systems.

In 2008, the Township began repairing roads in Royalton Township with the money collected from the new Township road millage passed by Township residents in 2007. The millage expires in 2013.

In 2009, Spring Run Annex will be getting a new look. The cemetery drive is in very poor condition, with gravel pushing up through areas where the asphalt has failed. The drive surface will be removed and completely repaved.

Due to lack of storage space, several pieces of equipment have been stored outside exposed to the elements. In 2009, the Township will be constructing an addition to the maintenance building to provide additional storage space.

***LONG-TERM DEBT***

At the end of the current fiscal year, Royalton Township had total debt outstanding of \$6,835,059.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt to 1.25% of its total state equalized valuation. The current debt limitation for Royalton Township is \$28,939,315 for bond debt and \$3,617,414 for note debt, which is significantly in excess of the Royalton Township's outstanding general obligation debt.

***NEXT YEAR'S BUDGET***

Royalton Township anticipates expenditures over revenues in the general fund will result in a \$195,602 increase in fund balance.

***REQUESTS FOR INFORMATION***

This financial report is designed to provide a general overview of Royalton Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Royalton Township, 980 Miners Road, St. Joseph, Michigan 49085.

**ROYALTON TOWNSHIP  
TOWNSHIP BOARD  
MARCH 31, 2009**

<b>STEVE TILLY</b>	<b>SUPERVISOR</b>
<b>ROCKY GENOVESE</b>	<b>CLERK</b>
<b>MICHAEL KLUG</b>	<b>TREASURER</b>
<b>WILLIAM FOUST</b>	<b>TRUSTEE</b>
<b>ROBERT BASSELMAN</b>	<b>TRUSTEE</b>

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 7, 2009

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Royalton Township  
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Royalton Township, as of and for the year ended March 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 the Township's management. Our responsibility is to express an opinion 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 on 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, and each major fund of Royalton Township, as of March 31, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages I through VI, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions in the financial statements that collectively comprise Royalton Township's basic financial statements. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gerbel & Company, P.C.*

**Right. On time.**

**ROYALTON TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2009**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,916,975	\$ 2,132,770	\$ 4,049,745
Restricted cash	302,717	623,254	925,971
Certificates of deposit	183,493	219,409	402,902
Current portion of special assessment receivable	-	281,815	281,815
Receivables	43,608	34,372	77,980
Due from Current Tax Fund	12,654	-	12,654
Prepaid expenses	25,956	-	25,956
Bond cost (net of accumulated amortization)	-	169,055	169,055
Bond discount (net of accumulated amortization)	-	54,290	54,290
Special assessment receivable	-	2,950,030	2,950,030
Capital assets (net of related depreciation):			
Construction in progress		199,012	199,012
Land	187,875	-	187,875
Buildings	501,321	-	501,321
Vehicles	447,782	-	447,782
Equipment	90,964	-	90,964
Utility systems	-	10,514,856	10,514,856
Total Assets	<u>3,713,345</u>	<u>17,178,863</u>	<u>20,892,208</u>
<b>LIABILITIES</b>			
Accounts payable	10,356	22,226	32,582
Accrued interest	-	116,408	116,408
Noncurrent liabilities:			
Due within one year	34,476	365,000	399,476
Due in more than one year	100,583	6,335,000	6,435,583
Total Liabilities	<u>145,415</u>	<u>6,838,634</u>	<u>6,984,049</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,227,942	4,013,868	5,241,810
Restricted for cemetery	901	-	901
Restricted for road improvements	301,816	-	301,816
Restricted for construction	-	623,254	623,254
Unrestricted	2,037,271	5,703,107	7,740,378
TOTAL NET ASSETS	<u>\$ 3,567,930</u>	<u>\$ 10,340,229</u>	<u>\$ 13,908,159</u>

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

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

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Legislative	\$ 4,309	\$ -	\$ -	\$ -
General government	503,974	146,971	275,985	-
Public safety	363,925	103,637	-	-
Public works	198,470	-	-	-
Recreation and cultural	62,149	-	-	-
<b>Total Governmental Activities</b>	<b>1,132,827</b>	<b>250,608</b>	<b>275,985</b>	<b>-</b>
Business-type Activities:				
Public Utility Fund	990,097	648,557	-	-
<b>Total Business-type Activities</b>	<b>990,097</b>	<b>648,557</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 2,122,924</b>	<b>\$ 899,165</b>	<b>\$ 275,985</b>	<b>\$ -</b>

General revenues:  
Property taxes  
Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning of the Year

NET ASSETS - END OF THE YEAR

NET (EXPENSE) REVENUES AND  
CHANGES IN NET ASSETS

PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
\$ (4,309)	\$ -	\$ (4,309)
(81,018)	-	(81,018)
(260,288)	-	(260,288)
(198,470)	-	(198,470)
(62,149)	-	(62,149)
(606,234)	-	(606,234)
-	(341,540)	(341,540)
-	(341,540)	(341,540)
(606,234)	(341,540)	(947,774)
682,795	-	682,795
15,554	243,313	258,867
698,349	243,313	941,662
92,115	(98,227)	(6,112)
3,475,815	10,438,456	13,914,271
\$ 3,567,930	\$ 10,340,229	\$ 13,908,159

**ROYALTON TOWNSHIP  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2009**

	<u>GENERAL FUND</u>	<u>PUBLIC WELFARE MILLAGE FUND</u>	<u>INSPECTION FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,136,980	\$ 436,431	\$ 343,564	\$ 1,916,975
Restricted cash for cemetery	901	-	-	901
Restricted for road improvements	301,816	-	-	301,816
Certificates of deposit	183,493	-	-	183,493
Taxes receivable	29,364	14,244	-	43,608
Due from other funds	12,654	-	-	12,654
Prepaid expense	14,392	11,564	-	25,956
	<u>1,679,600</u>	<u>462,239</u>	<u>343,564</u>	<u>2,485,403</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,679,600</b>	<b>\$ 462,239</b>	<b>\$ 343,564</b>	<b>\$ 2,485,403</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Accounts payable	3,850	2,265	4,241	10,356
	<u>3,850</u>	<u>2,265</u>	<u>4,241</u>	<u>10,356</u>
<b>Total Liabilities</b>	<b>3,850</b>	<b>2,265</b>	<b>4,241</b>	<b>10,356</b>
Fund Balances:				
Reserved for cemetery	901	-	-	901
Reserved for road improvements	301,816	-	-	301,816
Unreserved	1,373,033	459,974	339,323	2,172,330
	<u>1,675,750</u>	<u>459,974</u>	<u>339,323</u>	<u>2,475,047</u>
<b>Total Fund Balances</b>	<b>1,675,750</b>	<b>459,974</b>	<b>339,323</b>	<b>2,475,047</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,679,600</b>	<b>\$ 462,239</b>	<b>\$ 343,564</b>	<b>\$ 2,485,403</b>

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

**ROYALTON TOWNSHIP  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2009**

Fund balances of governmental funds		\$ 2,475,047
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets, at cost	\$ 1,968,421	
Accumulated depreciation	<u>(740,479)</u>	
Net capital assets		1,227,942
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
		<u>(135,059)</u>
Net assets of governmental activities		<u>\$ 3,567,930</u>

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

**ROYALTON TOWNSHIP  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2009**

	<u>GENERAL FUND</u>	<u>PUBLIC WELFARE MILLAGE FUND</u>	<u>INSPECTION FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>				
Taxes	\$ 445,083	\$ 237,712	\$ -	\$ 682,795
State revenues	275,985	-	-	275,985
Collection fees	63,852	-	-	63,852
Permits	-	-	103,637	103,637
Rents	12,125	-	-	12,125
Cemetery revenue	8,292	-	-	8,292
Interest	10,477	2,275	2,802	15,554
Other	62,702	-	-	62,702
Total Revenues	<u>878,516</u>	<u>239,987</u>	<u>106,439</u>	<u>1,224,942</u>
<b>EXPENDITURES:</b>				
Legislative	4,309	-	-	4,309
General government	461,911	-	-	461,911
Public safety	3,040	105,085	193,627	301,752
Public works	198,470	-	-	198,470
Recreation and cultural	11,605	50,544	-	62,149
Capital outlay	21,279	40,000	-	61,279
Total Expenditures	<u>700,614</u>	<u>195,629</u>	<u>193,627</u>	<u>1,089,870</u>
Net Change in Fund Balances	<u>177,902</u>	<u>44,358</u>	<u>(87,188)</u>	<u>135,072</u>
Fund Balances - Beginning of the Year:				
As originally reported	1,486,496	415,616	437,863	2,339,975
Less: Prior period adjustment - correction of an error	11,352	-	(11,352)	-
Fund Balances - Beginning of the Year, As Restated	<u>1,497,848</u>	<u>415,616</u>	<u>426,511</u>	<u>2,339,975</u>
<b>FUND BALANCES - END OF THE YEAR</b>	<u>\$ 1,675,750</u>	<u>\$ 459,974</u>	<u>\$ 339,323</u>	<u>\$ 2,475,047</u>

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

**ROYALTON TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2009**

Net change in fund balances - total governmental funds	\$ 135,072
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$89,608) exceeded capital outlays (\$13,530).	(76,078)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>33,121</u>
Changes in net assets of governmental activities	<u>\$ 92,115</u>

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

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

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCES WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Taxes	\$ 330,495	\$ 395,264	\$ 445,083	\$ 49,819
State revenues	264,037	229,843	275,985	46,142
Collection fees	40,750	64,671	63,852	(819)
Rents	10,500	9,763	12,125	2,362
Cemetery revenue	6,000	7,352	8,292	940
Interest	25,595	10,550	10,477	(73)
Other	39,088	55,672	62,702	7,030
Total Revenues	<u>716,465</u>	<u>773,115</u>	<u>878,516</u>	<u>105,401</u>
<b>EXPENDITURES:</b>				
Legislative	5,910	5,720	4,309	1,411
General government	465,698	514,993	461,911	53,082
Public safety	2,800	2,868	3,040	(172)
Public works	211,150	41,574	198,470	(156,896)
Recreation and cultural	15,995	15,995	11,605	4,390
Capital outlay	-	-	21,279	(21,279)
Total Expenditures	<u>701,553</u>	<u>581,150</u>	<u>700,614</u>	<u>(119,464)</u>
Net Change in Fund Balance	<u>14,912</u>	<u>191,965</u>	<u>177,902</u>	<u>(14,063)</u>
Fund Balance - Beginning of the Year:				
As originally reported	1,486,496	1,486,496	1,486,496	-
Less: Prior period adjustment - correction of an error	-	-	11,352	(11,352)
Fund Balance - Beginning of the Year	<u>1,486,496</u>	<u>1,486,496</u>	<u>1,497,848</u>	<u>(11,352)</u>
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 1,501,408</u>	<u>\$ 1,678,461</u>	<u>\$ 1,675,750</u>	<u>\$ 2,711</u>

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

**ROYALTON TOWNSHIP  
PUBLIC WELFARE MILLAGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2009**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCES WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Taxes			\$ 237,712	
Interest			<u>2,275</u>	
Total Revenues	<u>\$ 190,000</u>	<u>\$ 196,545</u>	<u>239,987</u>	<u>\$ 43,442</u>
<b>EXPENDITURES:</b>				
Public safety			105,085	
Recreation and cultural			50,544	
Capital outlay			<u>40,000</u>	
Total Expenditures	<u>189,400</u>	<u>194,066</u>	<u>195,629</u>	<u>(1,563)</u>
Net Change in Fund Balance	600	2,479	44,358	41,879
Fund Balance - Beginning of the Year	<u>415,616</u>	<u>415,616</u>	<u>415,616</u>	<u>-</u>
<b>FUND BALANCE - END OF THE YEAR</b>	<u><b>\$ 416,216</b></u>	<u><b>\$ 418,095</b></u>	<u><b>\$ 459,974</b></u>	<u><b>\$ 41,879</b></u>

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

**ROYALTON TOWNSHIP  
INSPECTION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MARCH 31, 2009**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCES WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Permits			\$ 103,637	
Interest			<u>2,802</u>	
Total Revenues	<u>\$ 160,000</u>	<u>\$ 111,105</u>	<u>106,439</u>	<u>\$ (4,666)</u>
<b>EXPENDITURES:</b>				
Public safety			193,627	
Capital outlay			<u>-</u>	
Total Expenditures	<u>158,410</u>	<u>184,311</u>	<u>193,627</u>	<u>(9,316)</u>
Net Change in Fund Balance	1,590	(73,206)	(87,188)	(13,982)
Fund Balance - Beginning of the Year :				
As originally reported	437,863	437,863	437,863	-
Less: Prior period adjustment - correction of an error	<u>-</u>	<u>-</u>	<u>(11,352)</u>	<u>(11,352)</u>
Fund Balance - Beginning of the Year, As Restated	<u>437,863</u>	<u>437,863</u>	<u>426,511</u>	<u>(11,352)</u>
<b>FUND BALANCE - END OF THE YEAR</b>	<u><b>\$ 439,453</b></u>	<u><b>\$ 364,657</b></u>	<u><b>\$ 339,323</b></u>	<u><b>\$ (25,334)</b></u>

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

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF NET ASSETS  
 MARCH 31, 2009**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 2,132,770
Restricted cash	623,254
Certificates of deposit	219,409
Current portion of special assessment receivable	281,815
Delinquent water receivable	1,247
Delinquent special assessment receivable	<u>33,125</u>
Total Current Assets	<u>3,291,620</u>

Noncurrent Assets:

Special assessment receivable	2,950,030
Water bond cost, net of \$104,724 accumulated amortization	139,882
Water bond discount, net of \$47,793 accumulated amortization	54,290
Sewer bond cost, net of \$1,401 accumulated amortization	29,173
Construction in progress	199,012
Plant, property, and equipment	13,817,712
Accumulated depreciation	<u>(3,302,856)</u>
Noncurrent Assets:	<u>13,887,243</u>

**TOTAL ASSETS** 17,178,863

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	22,226
Current portion of bonds payable	365,000
Accrued interest	<u>116,408</u>
Total Liabilities	<u>503,634</u>

Long-Term Liabilities:

Bonds payable, net of current portion	<u>6,335,000</u>
Total Liabilities	<u>6,838,634</u>

Net Assets:

Invested in capital assets, net of related debt	4,013,868
Restricted	623,254
Unrestricted	<u>5,703,107</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 10,340,229</u>

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

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED MARCH 31, 2009**

<b>OPERATING REVENUES:</b>	
Charges for services	<u>\$ 648,557</u>
<b>OPERATING EXPENSES:</b>	
Sewer treatment charges	204,321
Professional services	12,943
Salary and wages	33,969
Payroll taxes	7,694
Depreciation and amortization	302,630
Utilities	24,225
Supplies	11,672
Repairs and maintenance	21,585
Contribution to LMSWSTA	88,946
Miscellaneous	<u>9,927</u>
Total Operating Expenses	<u>717,912</u>
Operating Income (Loss)	<u>(69,355)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest income	243,313
Interest expense	<u>(272,185)</u>
Total Nonoperating Revenues (Expenses)	<u>(28,872)</u>
Change in Net Assets	(98,227)
Total Net Assets - Beginning of the Year	<u>10,438,456</u>
<b>TOTAL NET ASSETS - END OF THE YEAR</b>	<u><b>\$ 10,340,229</b></u>

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

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED MARCH 31, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers	\$ 974,764
Other payments	(12,943)
Payments to employees	(41,663)
Payments to suppliers	<u>(399,026)</u>
Net cash provided by operating activities	<u>521,132</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Interest paid on capital debt	(238,840)
Principal paid on capital debt	(315,000)
Proceeds from issuance of debt	2,385,000
Bond costs	(30,574)
Purchases of capital assets	<u>(1,822,548)</u>
Net cash provided by (used by) capital and related financing activities	<u>(21,962)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Special assessment interest received	190,589
Interest and dividends received	<u>52,724</u>
Net cash provided by investing activities	<u>243,313</u>
Net increase in cash and cash equivalents	742,483
Balance - Beginning of the Year	<u>2,232,950</u>
<b>BALANCE - END OF THE YEAR</b>	<b><u>\$ 2,975,433</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	<u>\$ (69,355)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	302,630
(Increase) decrease in:	
Accounts receivable	326,207
Increase (decrease) in:	
Accounts payable	<u>(38,350)</u>
Total Adjustments	<u>590,487</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 521,132</u></b>

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

**ROYALTON TOWNSHIP  
FIDUCIARY FUND  
CURRENT TAX COLLECTION FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2009**

**ASSETS**

Cash and cash equivalents	<u>\$ 12,654</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 12,654</b></u>

**LIABILITIES**

Due to General Fund	<u>\$ 12,654</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 12,654</b></u>

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

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by Royalton Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

**A. REPORTING ENTITY**

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the Township does not have any component units.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are 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 revenues.

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary fund and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**ROYALTON TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS - CONTINUED**

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

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Royalton 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 **Public Welfare Millage Fund** is used to account for the Township's fire department as well as payments for library and ambulance service.

The **Inspection Fund** is used to account for the activities of the inspection department.

Royalton Township reports the following major proprietary fund:

The **Public Utility Fund** accounts for the activities related to the Township's water production, purification, distribution, billing, sanitary collection system and waste water treatment.

Additionally, Royalton Township reports the following fund type:

The **Agency Fund** is used to collect and distribute State of Michigan, Berrien County, Lake Michigan College, Berrien Springs Public Schools, St. Joseph Public Schools, Lakeshore Public Schools, and Berrien County Intermediate School District property taxes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues 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. All taxes are reported as general revenues.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS - CONTINUED**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for proprietary funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

**D. BUDGETARY DATA**

At a March meeting the Township Manager submits to the Township Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to March 31, the budget is legally enacted on a summary budget basis through passage of a resolution.

**E. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Royalton Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful lives of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>ASSET CLASS</u>	<u>DEPRECIABLE LIFE</u>
Land	N/A
Buildings	40 years
Equipment	5-10 years
Vehicles	5-15 years
Utility Systems	39-40 years

Bond costs and bond discounts are capitalized and amortized using the straight-line method over the life of the bonds.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. LONG-TERM LIABILITIES**

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. 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. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**G. PROPERTY TAXES**

Township property taxes are levied on December 1 and are payable without penalty through February 15. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund.

**H. SANITATION AND WATER BILLINGS**

The Township has a contract with the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The City collects the billings and remits the Township's portion according to the contract.

**I. INVESTMENTS AND CASH EQUIVALENTS**

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

**J. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE 2 - CASH DEPOSITS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Royalton Township's deposits are in accordance with statutory authority. The Township has designated Fifth Third Bank for the deposit of its funds.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 2 - CASH DEPOSITS - CONTINUED**

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and cash equivalents	\$ 1,916,975	\$ 2,132,770	\$ 4,049,745
Restricted cash	302,717	623,254	925,971
Certificates of deposit	<u>183,493</u>	<u>219,409</u>	<u>402,902</u>
Total	<u>\$ 2,403,185</u>	<u>\$ 2,975,433</u>	<u>\$ 5,378,618</u>

**YEAR-END DEPOSITS**

For the bank deposits and certificates of deposit, \$250,000 was covered by federal depository insurance and \$5,141,272 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the Township at year-end.

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCES</u>
<b>PRIMARY GOVERNMENT</b>		
Amount insured by the FDIC	\$ 237,346	\$ 232,823
Uninsured	<u>5,141,272</u>	<u>5,108,939</u>
Total Primary Government	\$ 5,378,618	\$ 5,341,762
<b>FIDUCIARY FUND</b>		
Amount insured by the FDIC	<u>12,654</u>	<u>17,177</u>
Total Reporting Entity	<u>\$ 5,391,272</u>	<u>\$ 5,358,939</u>

**NOTE 3 - JOINT VENTURE**

**LAKE MICHIGAN SHORELINE WATER & SEWAGE TREATMENT AUTHORITY**

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township joined the Authority.

The three participating townships fund the operating and debt service costs based on their percentage of the total usage of the water supply and sewage disposal system.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

In accordance with the Authority's charter, budget approval requires unanimous consent of all members. The Village of Stevensville refused to approve the budget for the fiscal year beginning July 1, 2007. As a result, the three township members of the Authority formed a new entity to take responsibility for the day to day operations. The new entity is called the Southwest Michigan Regional Sanitary Sewer & Water Authority.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 3 - JOINT VENTURE - CONTINUED**

The Lake Michigan Shoreline Water & Sewage Treatment Authority will continue to account for the construction of the two water tower projects and be responsible for debt service on the bonds issued April 24, 2007.

The member contribution percentages for the year ended March 31, 2009, are as follows: Royalton Township - 11.63%, Lincoln Township - 58.12%, and St. Joseph Charter Township - 30.25%.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2008. A copy of the audited financial report is available for review at the Township office.

Assets	\$ 8,252,972
Liabilities	6,749,628
Net Assets	1,503,344
Revenues and Other Financing Sources	637,204
Expenditures and Other Financing Uses	266,026
Increase in Net Assets	371,178

The Township is contingently liable for 11.63% (\$710,012) of the \$6,105,000 outstanding balance due on the Water Supply System Bonds, Series 2007 issued to Lake Michigan Shoreline Water & Sewage Treatment Authority on April 24, 2007.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended March 31, 2009 were as follows:

	<u>BALANCE</u> <u>APRIL 1, 2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>MARCH 31, 2009</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 187,875	\$ -	\$ -	\$ 187,875
Buildings	\$ 736,645	\$ -	\$ -	\$ 736,645
Equipment	211,549	13,530	-	225,079
Vehicles	818,822	-	-	818,822
Subtotal	1,767,016	13,530	-	1,780,546
Less: Accumulated Depreciation	<u>(650,871)</u>	<u>(89,608)</u>	<u>-</u>	<u>(740,479)</u>
Total Capital Assets Other Than Land	<u>\$ 1,116,145</u>	<u>\$ (76,078)</u>	<u>\$ -</u>	<u>\$ 1,040,067</u>

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 4 - CAPITAL ASSETS - CONTINUED**

	<u>BALANCE</u> <u>APRIL 1, 2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>MARCH 31, 2009</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Construction in process	\$ -	\$ 199,012	\$ -	\$ 199,012
Vehicles	\$ 12,060	\$ 23,545	\$ -	\$ 35,605
Utility Systems	12,182,116	1,599,991	-	13,782,107
Subtotal	12,194,176	1,623,536	-	13,817,712
Less: Accumulated Depreciation	(3,018,962)	(283,894)	-	(3,302,856)
Total Capital Assets Other Than Construction in Process	<u>\$ 9,175,214</u>	<u>\$ 1,339,642</u>	<u>\$ -</u>	<u>\$ 10,514,856</u>

Depreciation expense was charged in the following functions in the statement of activities:

**GOVERNMENTAL FUNCTIONS:**

General government	\$ 27,435
Public safety	<u>62,173</u>
Total	<u>\$ 89,608</u>

**BUSINESS-TYPE FUNCTIONS:**

Public Utility Fund	\$ <u>283,894</u>
Total	<u>\$ 283,894</u>

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government for the year ended March 31, 2009:

	<u>NOTES</u> <u>PAYABLE</u>	<u>GENERAL</u> <u>OBLIGATION</u> <u>BONDS</u>	<u>TOTAL</u>
Balance, April 1, 2008	\$ 193,180	\$ 4,605,000	\$ 4,798,180
Debt issued	-	2,385,000	2,385,000
Debt redeemed	<u>(58,121)</u>	<u>(290,000)</u>	<u>(348,121)</u>
Balance, March 31, 2009	<u>\$ 135,059</u>	<u>\$ 6,700,000</u>	<u>\$ 6,835,059</u>

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 5 - LONG-TERM DEBT - CONTINUED**

Long-term debt at March 31, 2009 is comprised of the following individual issues:

BUSINESS-TYPE ACTIVITIES	BALANCE APRIL 1, 2008	ADDITIONS	REDUCTIONS	BALANCE MARCH 31, 2009	DUE WITHIN ONE YEAR
Berrien County 2008 Capital Improvement Bonds. Principal is due in annual installments of \$70,000 - \$185,000 through May 1, 2028; interest varies from 3.00% - 4.00%	\$ -	\$ 2,385,000	\$ -	\$ 2,385,000	\$ 70,000
Berrien County Water Supply System No. 26 Bonds, Series 2005. Principal is due in annual installments of \$15,000 - \$45,000 through May 1, 2025; interest varies from 3.55% - 4.70%	515,000	-	(15,000)	500,000	20,000
Berrien County Water Supply System No. 25 Bonds, Series 2003. Principal is due in annual installments of \$100,000 - \$200,000 through May 1, 2023; interest rate varies from 2.40% - 4.45%	2,350,000	-	(100,000)	2,250,000	100,000
Berrien County Water Supply System No. 23 Bonds, Series 1998. Principal is due in annual installments of \$100,000 - \$145,000 through May 1, 2018; interest rate varies from 4.40% - 4.75%	1,195,000	-	(100,000)	1,095,000	100,000
Berrien County Water Supply System No. 20 Bonds, Series 1994. Principal is due in annual installments of \$75,000 - \$95,000 through May 1, 2014; interest rate varies from 5.75% - 6.00%	545,000	-	(75,000)	470,000	75,000
Total Business-Type Activities	<u>4,605,000</u>	<u>2,385,000</u>	<u>(290,000)</u>	<u>6,700,000</u>	<u>365,000</u>

The repayment of these general obligation bonds is guaranteed by the Township and Berrien County. The bonds were issued by Berrien County and the Township pays the County the current maturities under a contract. The water system bonds represent the financing of public improvements that benefit specific districts; these districts are assessed, at least in part, for the cost of the improvements. The sewer system bond is for the financing of system improvements. At March 31, 2009, there is \$3,231,845 of special assessments receivable in the future; the amount expected to be received within one year is \$281,815. The amount of delinquent receivables at March 31, 2009 is not significant.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 5 - LONG-TERM DEBT - CONTINUED**

<b>GOVERNMENTAL ACTIVITIES - PRIMARY GOVERNMENT</b>	<b>BALANCE APRIL 1, 2008</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>BALANCE MARCH 31, 2009</b>	<b>DUE WITHIN ONE YEAR</b>
A March 30, 2007, installment note to Fifth Third Bank in the amount of \$200,000 is due in annual principal installments of \$40,000 including interest at 4.09% per annum through March 16, 2013.	\$ 168,180	\$ -	\$ (33,121)	\$ 135,059	\$ 34,476
Total Governmental Activities - Primary Government	\$ 168,180	\$ -	\$ (33,121)	\$ 135,059	\$ 34,476

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

<b>YEAR ENDING MARCH 31, 2009</b>	<b>BUSINESS-TYPE ACTIVITIES</b>		<b>GOVERNMENTAL ACTIVITIES</b>		<b>TOTAL</b>	
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2010	365,000	271,543	34,476	5,524	\$ 399,476	\$ 277,067
2011	370,000	256,790	35,886	4,114	405,886	260,904
2012	400,000	240,976	37,354	2,646	437,354	243,622
2013	405,000	224,162	27,343	1,118	432,343	225,280
2014	410,000	206,929	-	-	410,000	206,929
2015-2019	2,050,000	777,575	-	-	2,050,000	777,575
2020-2024	1,775,000	383,425	-	-	1,775,000	383,425
2025-2029	925,000	91,503	-	-	925,000	91,503
Total	<u>\$6,700,000</u>	<u>\$ 2,452,903</u>	<u>\$ 135,059</u>	<u>\$ 13,402</u>	<u>\$ 6,835,059</u>	<u>\$ 2,466,305</u>

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of March 31, 2009, is as follows:

Due to/from other funds:

<u>RECEIVABLE FUND</u>	<u>AMOUNT</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	\$ <u>12,654</u>	Current Tax Fund	\$ <u>12,654</u>

The Current Tax Fund collects tax revenue and remits it to the General Fund.

**NOTE 7 - RESTRICTED ASSETS**

Restricted assets at March 31, 2009, consist of \$36,173 of cash held at Berrien County and \$587,081 remaining from the 2008 Capital Improvement Bonds held in the Township's bank account. The restricted cash is used for construction in Royalton Township's Public Utility Fund. There is also \$901 of cash in the General Fund restricted for cemetery expenditures, and \$301,816 restricted for road improvements.

**NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Township provides pension benefits to all of its full-time employees and elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes fifteen percent of employees' gross earnings and employees contribute a minimum of five percent, and a maximum of 10% of earnings. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

The Township's total payroll during the current year was \$342,849. The current year contribution was calculated based on covered payroll of \$298,624, resulting in an employer contribution of \$44,7942 and employee contributions of \$14,931.

**NOTE 9 - DEFERRED COMPENSATION PLAN**

The Township offers a deferred compensation plan administered by ING Life Insurance and Annuity Company called the Royalton Township 457 Plan. Eligible employees may contribute 100% of their includible compensation up to limits set by law. There is no requirement for employer contributions. For the current year there were no employer contributions; employees' contributions totaled \$2,272.

**NOTE 10 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

**ROYALTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

**NOTE 11 - EXPENDITURES OVER BUDGET**

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township was adopted at the function level. During the year ended March 31, 2009, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>APPROPRIATION</u>	<u>EXPENDITURES</u>	<u>NEGATIVE BUDGET AMOUNT</u>
<b>GENERAL FUND</b>			
Public Works	\$ 41,574	\$ 198,470	\$ (156,896)
Public safety	\$ 2,868	\$ 3,040	(172)
Capital outlay	-	21,279	(21,279)
<b>PUBLIC WELFARE MILLAGE FUND</b>	194,066	195,629	(1,563)
<b>INSPECTION FUND</b>	185,311	193,627	(8,316)

**NOTE 12 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Township carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**ROYALTON TOWNSHIP  
AGENCY FUND**

**FOR THE YEAR ENDED MARCH 31, 2009**

**RECEIPTS:**

Current property tax collections	\$ 6,647,840
Interest	<u>9,325</u>
Total Receipts	<u>6,657,165</u>

**DISBURSEMENTS:**

Public schools	\$ 1,670,224
Berrien County	2,813,049
Other funds	1,149,379
Berrien County I.S.D.	564,239
Lake Michigan College	425,084
Airport	23,212
State of Michigan	6,098
Interest	<u>4,891</u>
Total Disbursements	<u>6,656,176</u>

Receipts Over Disbursements 989

Cash - Beginning of the Year 11,665

**CASH - END OF THE YEAR** \$ 12,654

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF NET ASSETS  
 MARCH 31, 2009**

<b>ASSETS</b>	<b>SEWER ACTIVITY</b>	<b>WATER ACTIVITY</b>	<b>TOTAL</b>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ (806,587)	\$ 2,939,357	\$ 2,132,770
Restricted cash	587,081	36,173	623,254
Certificates of deposit	-	219,409	219,409
Current portion of special assessment receivable	-	281,815	281,815
Delinquent water receivable	-	1,247	1,247
Delinquent special assessment receivable	-	33,125	33,125
	<u>(219,506)</u>	<u>3,511,126</u>	<u>3,291,620</u>
<b>Total Current Assets</b>			
<b>Noncurrent Assets:</b>			
Special assessment receivable	-	2,950,030	2,950,030
Water bond cost, net of \$104,724 accumulated amortization	-	139,882	139,882
Water bond discount, net of \$47,793 accumulated amortization	-	54,290	54,290
Sewer bond cost, net of \$1,401 accumulated amortization	29,173	-	29,173
Construction in progress	199,012	-	199,012
Plant, property, and equipment	7,244,521	6,573,191	13,817,712
Accumulated depreciation	<u>(2,074,081)</u>	<u>(1,228,775)</u>	<u>(3,302,856)</u>
	<u>5,398,625</u>	<u>8,488,618</u>	<u>13,887,243</u>
<b>Total Noncurrent Assets</b>			
<b>TOTAL ASSETS</b>	<u>\$ 5,179,119</u>	<u>\$ 11,999,744</u>	<u>\$ 17,178,863</u>

<b>LIABILITIES AND NET ASSETS</b>	<b>SEWER ACTIVITY</b>	<b>WATER ACTIVITY</b>	<b>TOTAL</b>
<b>Current Liabilities:</b>			
Accounts payable	\$ 22,226	\$ -	\$ 22,226
Current portion of bonds payable	70,000	295,000	365,000
Accrued interest	<u>38,209</u>	<u>78,199</u>	<u>116,408</u>
Total Current Liabilities	<u>130,435</u>	<u>373,199</u>	<u>503,634</u>
<b>Long-Term Liabilities:</b>			
Bonds payable, net of current portion	<u>2,315,000</u>	<u>4,020,000</u>	<u>6,335,000</u>
Total Liabilities	<u>2,445,435</u>	<u>4,393,199</u>	<u>6,838,634</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,984,452	1,029,416	4,013,868
Restricted	587,081	36,173	623,254
Unrestricted	<u>(837,849)</u>	<u>6,540,956</u>	<u>5,703,107</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,733,684</u>	<u>\$ 7,606,545</u>	<u>\$ 10,340,229</u>

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED MARCH 31, 2009**

	<u>SEWER ACTIVITY</u>	<u>WATER ACTIVITY</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 496,141	\$ 152,416	\$ 648,557
<b>OPERATING EXPENSES:</b>			
Sewer treatment charges	204,321	-	204,321
Professional services	11,571	1,372	12,943
Salary and wages	33,969	-	33,969
Payroll taxes	7,694	-	7,694
Depreciation and amortization	120,865	181,765	302,630
Utilities	24,225	-	24,225
Supplies	11,672	-	11,672
Repairs and maintenance	16,756	4,829	21,585
Contribution to LMSWSTA	732	88,214	88,946
Miscellaneous	8,512	1,415	9,927
Total Operating Expenses	<u>440,317</u>	<u>277,595</u>	<u>717,912</u>
Operating Income (Loss)	<u>55,824</u>	<u>(125,179)</u>	<u>(69,355)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	30,377	212,936	243,313
Interest expense	<u>(83,959)</u>	<u>(188,226)</u>	<u>(272,185)</u>
Total Nonoperating Revenues (Expenses)	<u>(53,582)</u>	<u>24,710</u>	<u>(28,872)</u>
Change in Net Assets	2,242	(100,469)	(98,227)
Total Net Assets - Beginning of the Year	<u>2,731,442</u>	<u>7,707,014</u>	<u>10,438,456</u>
<b>TOTAL NET ASSETS - END OF THE YEAR</b>	<u>\$ 2,733,684</u>	<u>\$ 7,606,545</u>	<u>\$ 10,340,229</u>

**ROYALTON TOWNSHIP  
 PROPRIETARY FUND  
 PUBLIC UTILITY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED MARCH 31, 2009**

	<u>SEWER ACTIVITY</u>	<u>WATER ACTIVITY</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 496,341	\$ 478,423	\$ 974,764
Other payments	(11,571)	(1,372)	(12,943)
Payments to employees	(41,663)	-	(41,663)
Payments to suppliers	<u>(304,568)</u>	<u>(94,458)</u>	<u>(399,026)</u>
Net cash provided by operating activities	<u>138,539</u>	<u>382,593</u>	<u>521,132</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Interest paid on capital debt	(45,750)	(193,090)	(238,840)
Principal paid on capital debt	-	(315,000)	(315,000)
Proceeds from issuance of debt	2,385,000	-	2,385,000
Bond costs	(30,574)	-	(30,574)
Purchases of capital assets	<u>(1,822,548)</u>	<u>-</u>	<u>(1,822,548)</u>
Net cash provided by (used by) capital and related financing activities	<u>486,128</u>	<u>(508,090)</u>	<u>(21,962)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Special assessment interest received	16	190,573	190,589
Interest and dividends received	<u>30,361</u>	<u>22,363</u>	<u>52,724</u>
Net cash provided by investing activities	<u>30,377</u>	<u>212,936</u>	<u>243,313</u>
Net increase in cash and cash equivalents	655,044	87,439	742,483
Balances - Beginning of the Year	<u>(874,550)</u>	<u>3,107,500</u>	<u>2,232,950</u>
<b>BALANCES - END OF THE YEAR</b>	<b><u>\$ (219,506)</u></b>	<b><u>\$ 3,194,939</u></b>	<b><u>\$ 2,975,433</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	<u>\$ 55,824</u>	<u>\$ (125,179)</u>	<u>\$ (69,355)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	120,865	181,765	302,630
(Increase) decrease in:			
Accounts receivable	200	326,007	326,207
Increase (decrease) in:			
Accounts payable	(38,350)	-	(38,350)
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total Adjustments	<u>82,715</u>	<u>507,772</u>	<u>590,487</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 138,539</u></b>	<b><u>\$ 382,593</u></b>	<b><u>\$ 521,132</u></b>

**ROYALTON TOWNSHIP**  
**SCHEDULE OF INDEBTEDNESS - 2008 CAPITAL IMPROVEMENT BONDS**  
**MARCH 31, 2009**

COUNTY OF BERRIEN, STATE OF MICHIGAN  
 BERRIEN COUNTY 2008 CAPITAL IMPROVEMENT BONDS  
 SEWER IMPROVEMENT BONDS (ROYALTON TOWNSHIP)

ISSUE DATED MAY 1, 2008 IN THE AMOUNT OF \$2,385,000

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>DUE</u>	<u>PRINCIPAL</u> <u>DUE MAY 1,</u>	<u>TOTAL</u>
2010	3.00%	\$ 90,450	\$ 70,000	\$ 160,450
2011	3.00%	88,275	75,000	163,275
2012	3.50%	85,750	80,000	165,750
2013	3.50%	82,863	85,000	167,863
2014	3.50%	79,887	85,000	164,887
2015	3.50%	76,825	90,000	166,825
2016	3.75%	73,469	95,000	168,469
2017	3.75%	69,812	100,000	169,812
2018	3.75%	65,969	105,000	170,969
2019	4.00%	61,800	110,000	171,800
2020	4.00%	57,300	115,000	172,300
2021	4.00%	52,500	125,000	177,500
2022	4.00%	47,400	130,000	177,400
2023	4.00%	42,100	135,000	177,100
2024	4.00%	36,500	145,000	181,500
2025	4.00%	30,600	150,000	180,600
2026	4.00%	24,400	160,000	184,400
2027	4.00%	17,800	170,000	187,800
2028	4.00%	10,900	175,000	185,900
2029	4.00%	3,700	185,000	188,700
		<u>\$ 1,098,300</u>	<u>\$ 2,385,000</u>	<u>\$ 3,483,300</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**SCHEDULE OF INDEBTEDNESS - 2005 PROJECT BONDS**  
**MARCH 31, 2009**

COUNTY OF BERRIEN, STATE OF MICHIGAN  
 BERRIEN COUNTY WATER SUPPLY SYSTEM NO. 26  
 PROJECT BONDS (ROYALTON TOWNSHIP)

ISSUE DATED SEPTEMBER 1, 2005 IN THE AMOUNT OF \$535,000

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>DUE</u>	<u>PRINCIPAL</u> <u>DUE MAY 1,</u>	<u>TOTAL</u>
2010	3.70%	\$ 21,340	\$ 20,000	\$ 41,340
2011	3.80%	20,590	20,000	40,590
2012	3.90%	19,820	20,000	39,820
2013	4.00%	19,030	20,000	39,030
2014	4.10%	18,118	25,000	43,118
2015	4.15%	17,086	25,000	42,086
2016	4.20%	16,043	25,000	41,043
2017	4.25%	14,986	25,000	39,986
2018	4.30%	13,810	30,000	43,810
2019	4.35%	12,513	30,000	42,513
2020	4.40%	11,200	30,000	41,200
2021	4.45%	9,761	35,000	44,761
2022	4.50%	8,195	35,000	43,195
2023	4.55%	6,611	35,000	41,611
2024	4.60%	4,895	40,000	44,895
2025	4.65%	3,045	40,000	43,045
2026	4.70%	1,058	45,000	46,058
		<u>\$ 218,101</u>	<u>\$ 500,000</u>	<u>\$ 718,101</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP  
SCHEDULE OF INDEBTEDNESS - 2003 PROJECT BONDS  
MARCH 31, 2009**

COUNTY OF BERRIEN, STATE OF MICHIGAN  
BERRIEN COUNTY WATER SUPPLY SYSTEM NO. 25  
PROJECT BONDS (ROYALTON TOWNSHIP)

ISSUE DATED JANUARY 1, 2004 IN THE AMOUNT OF \$2,600,000

<u>YEAR ENDING MARCH 31,</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>PRINCIPAL DUE MAY 1,</u>	<u>TOTAL</u>
2010	2.70%	\$ 85,088	\$ 100,000	\$ 185,088
2011	3.00%	82,237	100,000	182,237
2012	3.15%	78,769	125,000	203,769
2013	3.35%	74,706	125,000	199,706
2014	3.40%	70,487	125,000	195,487
2015	3.55%	66,144	125,000	191,144
2016	3.70%	61,150	150,000	211,150
2017	3.80%	55,525	150,000	205,525
2018	3.90%	49,750	150,000	199,750
2019	4.00%	43,825	150,000	193,825
2020	4.10%	37,238	175,000	212,238
2021	4.20%	29,975	175,000	204,975
2022	4.30%	22,000	200,000	222,000
2023	4.40%	13,300	200,000	213,300
2024	4.45%	4,450	200,000	204,450
		<u>\$ 774,644</u>	<u>\$ 2,250,000</u>	<u>\$ 3,024,644</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP  
SCHEDULE OF INDEBTEDNESS - 1998 PROJECT BONDS  
MARCH 31, 2009**

COUNTY OF BERRIEN, STATE OF MICHIGAN  
BERRIEN COUNTY WATER SUPPLY SYSTEM NO. 23  
PROJECT BONDS (ROYALTON TOWNSHIP)

ISSUE DATED JULY 1, 1998 IN THE AMOUNT OF \$1,820,000

<u>YEAR ENDING MARCH 31,</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>PRINCIPAL DUE MAY 1,</u>	<u>TOTAL</u>
2010	4.50%	\$ 48,762	\$ 100,000	\$ 148,762
2011	4.55%	44,238	100,000	144,238
2012	4.55%	39,687	100,000	139,687
2013	4.60%	35,113	100,000	135,113
2014	4.65%	30,487	100,000	130,487
2015	4.70%	25,813	100,000	125,813
2016	4.70%	21,112	100,000	121,112
2017	4.75%	15,794	125,000	140,794
2018	4.75%	9,856	125,000	134,856
2019	4.75%	3,443	145,000	148,443
		<u>\$ 274,305</u>	<u>\$ 1,095,000</u>	<u>\$ 1,369,305</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**SCHEDULE OF INDEBTEDNESS - 1988 EXTENSION BONDS**  
**MARCH 31, 2009**

COUNTY OF BERRIEN, STATE OF MICHIGAN  
 BERRIEN COUNTY WATER SUPPLY SYSTEM NO. 20  
 PROJECT BONDS (ROYALTON TOWNSHIP)

ISSUE DATED OCTOBER 1, 1994 IN THE AMOUNT OF \$1,195,000

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>INTEREST</u> <u>RATE</u>	<u>INTEREST</u> <u>DUE</u>	<u>PRINCIPAL</u> <u>DUE MAY 1,</u>	<u>TOTAL</u>
2010	5.875%	\$ 25,903	\$ 75,000	\$ 100,903
2011	6.000%	21,450	75,000	96,450
2012	6.000%	16,950	75,000	91,950
2013	6.000%	12,450	75,000	87,450
2014	6.000%	7,950	75,000	82,950
2015	6.000%	2,850	95,000	97,850
		<u>\$ 87,553</u>	<u>\$ 470,000</u>	<u>\$ 557,553</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**SCHEDULE OF INDEBTEDNESS - 2007 INSTALLMENT NOTE**  
**MARCH 31, 2009**

<u>YEAR ENDING</u> <u>MARCH 31,</u>	<u>INTEREST</u> <u>RATE</u>	<u>ANNUAL</u> <u>DEBT SERVICE</u>	<u>INTEREST</u> <u>DUE</u>	<u>PRINCIPAL</u> <u>DUE MAY 1,</u>	<u>BALANCE</u>
2010	4.09%	\$ 40,000	\$ 5,524	\$ 34,476	\$ 100,583
2011	4.09%	40,000	4,114	35,886	64,697
2012	4.09%	40,000	2,646	37,354	27,343
2013	4.09%	<u>28,461</u>	<u>1,118</u>	<u>27,343</u>	-
		<u>\$ 148,461</u>	<u>\$ 13,402</u>	<u>\$ 135,059</u>	

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 7, 2009

Township Board  
Royalton Township  
Berrien County, Michigan

To the Township Board Members:

In planning and performing our audit of the financial statements of Royalton Township for the year ended March 31, 2009, we considered its internal control structure in order to determine our auditing procedures for the purposes of expressing an opinion on the financial statements, but not to provide assurance on the internal control structure. However, certain matters were noted which we have included as recommendations that may be beneficial to the operation of the Township. These recommendations are in addition to our significant deficiencies and material weaknesses that were presented in a separate letter.

In connection with our audit of the books and records of Royalton Township for the year ending March 31, 2009, we offer the following comments and recommendations:

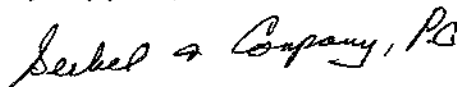
1. During the audit we noted that the current policy and procedure manual has not been updated in quite some time. To promote strong internal control we recommend that this policy manual be reviewed by administration and the Board and be updated.
2. While reviewing the Township's United States Tax Form 1099's, it was noted that no 1099's were issued to attorneys. The Township is required by law to issue 1099's to all attorneys which the Township pays during the year.
3. During the audit it was noted that a few checks that were outstanding at March 31, 2008, were still outstanding at March 31, 2009. We recommend that old outstanding checks be sent to Michigan Escheats Division.

We appreciate the courtesy and cooperation extended to us by the management and employees of the Township and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

This report is intended solely for the information and use of Royalton Township's Board. This restriction is not intended to limit distribution of this report which is a matter of public record.

If we can be of any help in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,



GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 7, 2009

## Communication of Significant Deficiencies That Indicates No Material Weaknesses in Internal Control

Township Board  
Royalton Township  
Berrien County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of Royalton Township as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Royalton Township'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 Royalton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Royalton Township's internal control.

A control deficiency exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles 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 a 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 internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

1. The Township is required by the Michigan Department of Treasury to create a special revenue fund for the money that was levied for street improvements. Currently this money is in the General Fund. We recommend that the Board approve the creation of a new special revenue fund to account for this money. After this fund is created the money that is held in the General Fund should be transferred to this new fund. In accordance with budgeting regulation, the Board is required to adopt a budget for this new special revenue fund.

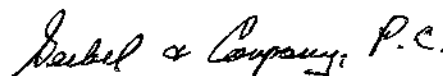
**Right. On time.**

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2. As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting functions. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse. Due to the size of the Township we recommend that the Township Board continue to review monthly information to mitigate this risk, and rely on the annual external audit to help identify and correct misstatements, as needed.

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

Very truly yours,



GERBEL & COMPANY, P.C.  
Certified Public Accountants