

LOCKPORT TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Lockport	County St Joseph
Fiscal Year End June 30, 2007	Opinion Date November 9, 2007	Date Audit Report Submitted to State February 1, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

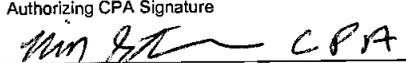
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

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

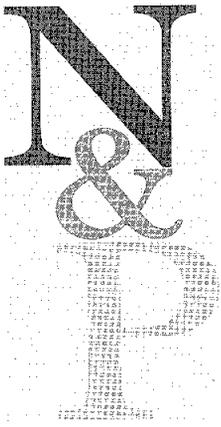
I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not Applicable	
Certified Public Accountant (Firm Name) Norman & Paulsen PC		Telephone Number 269-273-8641	
Street Address 123 North Main Street		City Three Rivers	State Zip MI 49093
Authorizing CPA Signature  CPA		Printed Name Rick Strawser CPA	
		License Number 16951	

CONTENTS

	<u>Page</u>
Independent Auditor's Report	i
Management's Discussion and Analysis	ii
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	4
Statement of Net Assets – Proprietary Funds.....	5
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	6
Statement of Cash Flows – Proprietary Funds.....	7
Statement of Fiduciary Net Assets – Tax Collection Agency Fund.....	9
Notes to Financial Statements	10
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	19





INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members of the Township Board
Lockport Township, St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Lockport Township as of and for the year ended June 30, 2007, 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 opinions on these financial statements based on our audit.

Norman & Paulsen, P.C.

Certified Public Accountants

123 N. Main Street
Three Rivers, MI 49093
269.273.8641
Fax 269.278.8252
E-mail
nptr@npaccounting.com

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.

Other Location:
127 W. Chicago Road
Sturgis, MI 49091
269.651.3228
Fax 269.651.5146
E-mail
normanpaulsen@charter.net

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 the aggregate remaining fund information of Lockport Township as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information beginning on page ii through vii and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Norman & Paulsen

Norman & Paulsen, P.C.

November 9, 2007
Three Rivers, Michigan

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrold T. Norman (1941-1982)

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

As management of Lockport Township, St. Joseph County, Michigan, we offer readers of these financial statements this narrative overview and analysis of the financial activities of Lockport Township for the fiscal year ended June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The township's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

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

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

The second government-wide statement, the statement of activities, presents information showing how the 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 result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration and public safety. The business-type activity is the water operations.

The government-wide financial statements can be found on pages 1 - 2 of this report.

Fund Financial Statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Township has one basic governmental fund, the general fund. The basic governmental financial statements can be found on pages 3 - 4 of this report.

Proprietary funds provide the same type of information as the business-type activities shown on the government-wide financial statements, only in more detail. The Township has one proprietary fund, the water fund. The basic proprietary fund financial statements can be found on pages 5 - 8 of this report.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDED JUNE 30, 2007
 (UNAUDITED)

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. The notes to the financial statements can be found on pages 10 - 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the Township exceeded its liabilities at June 30, 2007 by \$7,271,448 (net assets). Of this amount, \$571,556 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors in accordance with the Township's fund designation and fiscal policies.

The Township's combined net assets increased by \$2,798,863 or 62.58% from a year ago. As we look at the governmental activities separate from the business-type activities, i.e., the water fund, we see that the governmental activities experienced an increase in net assets of \$52,839 as contrasted with the water fund that increased its net assets by \$2,746,024. This increase is comprised of two parts: capital contributions of \$2,778,168 to be used toward the water system improvement project and a loss from operations of \$32,144. The loss from operations is \$9,704 less than budgeted.

The largest portion of the Township's net assets (92.14%) reflects its investment in capital assets (water mains, wells and pumping equipment, buildings and land) net of the related debt. Savings and certificates of deposit make up 7.32 % of the net assets.

LOCKPORT TOWNSHIP'S NET ASSETS

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and other assets	\$418,790	\$ 49,196	\$1,626,668	\$ 396,313
Capital assets	214,494	219,163	6,789,739	4,078,385
Total Assets	<u>\$633,284</u>	<u>\$568,359</u>	<u>\$8,416,407</u>	<u>\$4,474,698</u>
Current liabilities	\$ 50,242	\$ 38,156	\$1,430,949	\$ 215,398
Long-term liabilities	-	-	297,052	316,918
Total Liabilities	<u>\$ 50,242</u>	<u>\$ 38,156</u>	<u>\$1,728,001</u>	<u>\$ 532,316</u>
Net Assets:				
Invested in capital assets, net of related debt	\$214,494	\$219,163	\$6,485,398	\$3,736,216
Unrestricted	368,548	311,040	203,008	206,166
Total Net Assets	<u>\$583,042</u>	<u>\$530,203</u>	<u>\$6,688,406</u>	<u>\$3,942,382</u>

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, increased by \$52,839 for the governmental activities. This represents an increase of 16.99%. The current level of unrestricted net assets for our governmental activities stands at \$368,548, or about 99.85% of the current year's governmental expenditures.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDED JUNE 30, 2007
 (UNAUDITED)

Analysis of the Township's Operations

The following table provides a summary of the Township's operations for the year ended June 30, 2007. Governmental activities increased the Township's net assets by \$52,389, accounting for a 9.97% increase of net assets. Business-type activities increased the Township's net assets by \$2,746,024. This increase reflects capital contributions of \$2,778,168 and a net loss before contributions of \$32,144.

LOCKPORT TOWNSHIP'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Program revenues:				
Charges for services	\$ 23,128	\$ 36,827	\$ 124,702	\$ 97,882
Capital grants and contributions	-	-	2,778,168	2,095,959
General revenues:				
Property taxes	119,025	109,800	-	-
State shared revenues	253,741	254,003	-	-
Unrestricted investment earnings	18,153	16,683	6,672	4,114
Miscellaneous	<u>7,910</u>	<u>7,900</u>	-	-
Total revenues	421,957	425,213	2,909,542	2,197,955
Expenses:				
General government	230,003	232,746	-	-
Planning and zoning	18,454	19,840	-	-
Public safety	63,972	59,055	-	-
Public works	8,067	6,895	78,708	62,046
Health and welfare	14,367	13,919	-	-
Library	27,985	25,567	-	-
Interest	-	13,961	13,568	13,740
Depreciation	<u>6,270</u>	<u>3,316</u>	<u>71,242</u>	<u>29,602</u>
Total expenses	369,118	361,338	163,518	105,609
Increases/Decreases in net assets	52,839	63,875	2,746,024	2,092,346
Net assets – beginning of fiscal year	<u>530,203</u>	<u>466,328</u>	<u>3,942,382</u>	<u>1,850,036</u>
Net assets – end of fiscal year	<u>\$583,042</u>	<u>\$530,203</u>	<u>\$6,688,406</u>	<u>\$3,942,382</u>

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

FINANCIAL ANALYSIS OF GOVERNMENTAL ACTIVITIES

Governmental Funds

At the close of the current fiscal year, the Township's general fund reported ending fund balances of \$368,548. All is unreserved and available for use within the Township's designation and policies. Fund balance increased by \$57,508. The Township has remaining fund balance in excess of approximately 98.89% of one year's expenditures.

Proprietary Funds

The water fund generated a loss of \$25,248 from operations for the fiscal year which was \$23,600 less than the budgeted loss of \$48,848. Nonoperating revenues from capital contributions of \$2,778,168 were used on the water system improvement project. Interest expense accrued on bonds less interest and investment income was \$6,896. Therefore, the net change in net assets of the water fund was an increase of \$2,746,024. At the end of the current fiscal year, unreserved fund balance for the water fund was \$203,008 or 135.38% of the total water fund expenditures.

General Fund Budgetary Highlights

The Township revised the original appropriations for expenditures as approved by the Village board. A detailed budgetary comparison is found on page 19 of this report.

The Township's actual revenue exceeded budgeted revenue by \$8,307 or 2.01%, due to receiving more than (less than) budgeted in the following categories:

property tax revenue	\$11,525
state shared revenues	(6,259)
charges for services	(6,024)
special road assessments	(3,786)
interest	10,153
miscellaneous revenues	2,910

The Township's overall budgeted expenditures of \$413,650 were less than actual expenditures by \$49,201 or 11.89%. Significant variances between amounts budgeted and spent:

General government:

Township board	\$13,752
Township hall	11,160
Assessor	3,592
Board of review	4,829

Planning and Zoning:

Ordinance enforcement	4,350
-----------------------	-------

Public Safety:

Fire protection	14,259
-----------------	--------

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

CAPITAL ASSETS

The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$7,004,233 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings, water equipment, and office equipment.

During the current fiscal year the Township invested \$2,782,597 in improvements to the water system as part of an ongoing \$8.310 million project which includes additional land easements for a total of \$15,785. The Township spent \$1,601 to complete landscaping at the Township Hall.

Capital Assets at June 30, (Net of Accumulated Depreciation):

	Governmental Activities		Business-Type Activities	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and easements	\$ -	\$ -	\$ 133,659	\$ 117,874
Buildings & improvements	212,835	215,893	287,307	295,785
Water mains, piping	-	-	3,117,541	734,107
Water tower	-	-	709,136	723,757
Wells, pumps, meters	-	-	48,166	64,607
Office equipment	1,659	3,270	-	-
Water improvement system	-	-	2,493,930	2,142,255
Total	<u>\$214,494</u>	<u>\$219,163</u>	<u>\$6,789,739</u>	<u>\$4,078,385</u>

Additional information on the Township's capital assets can be found in note 5 on pages 16 - 17 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The general fund budget for fiscal year ended June 30, 2008 anticipates revenues of approximately \$391,300 a decrease of \$30,657 from the current year actual revenues. The budget reflects an estimated increase/reduction of the following:

State revenue sharing	\$(28,741)
Property tax collections	(4,375)
Charges for services	(2,690)
Interest earned	(2,153)
Miscellaneous revenues	7,302

General fund budgeted expenditures for the fiscal year ended June 30, 2008 reflect an increase from the current year actual of approximately \$26,851.

The water fund budget for fiscal year ended June 30, 2008 anticipates revenues of approximately \$157,316 and expenditures of approximately \$117,921 (excluding depreciation adjustment) for a net increase of \$39,395. For fiscal year ended June 30, 2008, a resolution was passed to charge the following minimum quarterly rates: capital improvement rate - \$32; water service fee for 5/8" - 1" line of \$29; water service fee for 2" - 3" line of \$50; and water service fee for 4" line of \$100. Transfer fees were set for at \$20 and shut off fees will remain at \$25.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

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 any questions about this report or need additional information, we welcome you to contact Martin Barth at (269) 279-2184 or Wayne Timm at (269) 279-2722.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Total
	Governmental Activities	Business -Type Activities	
ASSETS			
Cash and cash equivalents (Note 3)	\$ 183,545	\$ 173,262	\$ 356,807
Certificates of deposit	175,352	-	175,352
Receivables (net)	4,399	31,030	35,429
Internal balances (Note 4)	6,173	(6,173)	-
Due from other governments (Note 4)	40,303	1,418,839	1,459,142
Due from Tax Collection Fund	958	-	958
Inventories	-	4,929	4,929
Prepaid expenses	8,060	4,781	12,841
Capital assets - net (Note 5)	214,494	6,789,739	7,004,233
Total Assets	\$ 633,284	\$ 8,416,407	\$ 9,049,691
LIABILITIES			
Accounts payable	\$ 15,544	\$ 1,407,680	\$ 1,423,224
Accrued interest	-	3,269	3,269
Accrued payroll and other liabilities	34,698	-	34,698
Noncurrent liabilities			
Due in one year (Note 7)	-	20,000	20,000
Due in more than one year (Note 7)	-	297,052	297,052
Total Liabilities	\$ 50,242	\$ 1,728,001	\$ 1,778,243
NET ASSETS			
Invested in capital assets			
Net of related debt	\$ 214,494	\$ 6,485,398	\$ 6,699,892
Unrestricted	368,548	203,008	571,556
Total Net Assets	\$ 583,042	\$ 6,688,406	\$ 7,271,448

See accompanying notes to financial statements

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 230,003	\$ -	\$ -	\$ -
Planning and zoning	18,454	2,988	-	-
Public safety	63,972	13,370	-	-
Public works	8,067	6,770	-	-
Health and welfare	14,367	-	-	-
Library	27,985	-	-	-
Depreciation (unallocated)	6,270	-	-	-
Total Governmental Activities	369,118	23,128	-	-
Business - Type Activities				
Water	163,518	124,702	-	2,778,168
Total Primary Government	\$ 532,636	\$ 147,830	\$ -	\$ 2,778,168

General Revenues

Property Taxes
State revenue sharing
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues - Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

N
2007

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business -Type Activities	Total
\$ (230,003)	\$ -	\$ (230,003)
(15,466)	-	(15,466)
(50,602)	-	(50,602)
(1,297)	-	(1,297)
(14,367)	-	(14,367)
(27,985)	-	(27,985)
(6,270)	-	(6,270)
(345,990)	-	(345,990)
-	2,739,352	2,739,352
(345,990)	2,393,362	2,047,372
119,025	-	119,025
253,741	-	253,741
18,153	6,672	24,825
7,910	-	7,910
398,829	6,672	405,501
52,839	2,746,024	2,798,863
530,203	3,942,382	4,472,585
<u>\$ 583,042</u>	<u>\$ 6,688,406</u>	<u>\$ 7,271,448</u>

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund
ASSETS	
Cash and cash equivalents	\$ 183,545
Certificates of deposits	175,352
Receivables (Net)	4,399
Due from other funds	7,131
Receivables from other governments	40,303
Prepaid expenses	8,060
	<hr/>
Total Assets	\$ 418,790
LIABILITIES	
Accounts payable	\$ 15,544
Accrued payroll and other accrued liabilities	34,698
	<hr/>
Total Liabilities	50,242
FUND BALANCES	
Unrestricted	368,548
	<hr/>
Total liabilities and fund balance	\$ 418,790
	<hr/>
Total governmental fund balances	\$ 368,548
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.	
	249,166
Cost of capital assets	249,166
Less accumulated depreciation	<u>(34,672)</u>
	214,494
Net Assets of Governmental Activities	<u>\$ 583,042</u>

See accompanying notes to financial statements

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund
Revenues	
Taxes and penalties	\$ 119,025
Licenses and permits	438
State shared revenues	253,741
Charges for services	22,690
Interest	18,153
Other revenue	7,910
	<hr/>
Total Revenues	421,957
Expenditures	
Current	
General Government	229,966
Planning and zoning	18,454
Public Safety	63,972
Public Works	8,067
Health and Welfare	14,367
Library	27,985
Capital outlay	1,638
	<hr/>
Total Expenditures	364,449
Excess (deficiency) of Revenues Over Expenditures	 57,508
Fund Balance - July 1, 2006	<hr/> 311,040
Fund Balance - June 30, 2007	<hr/> <u>\$ 368,548</u>
 Net change in governmental fund balance	 \$ 57,508
 Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation. Purchases less than \$1,000 were expensed on the statement of activities rather than being capitalized.	
	1,601
	(6,270)
Change in Net Assets of Governmental Activities	<hr/> <u>\$ 52,839</u>

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2007**

Business - Type Activities

	<u>Water Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents (Note 3)	\$ 173,262
Receivables, net	31,030
Due from other governments (Note 4)	1,418,839
Inventories	4,929
Prepaid expenses	<u>4,781</u>
Total current assets	1,632,841
Noncurrent assets	
Capital assets, net (Note 4)	<u>6,789,739</u>
Total noncurrent assets	<u>6,789,739</u>
Total Assets	<u>\$ 8,422,580</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,407,680
Accrued interest payable	3,269
Due to other funds (Note 4)	6,173
Current portion of bonds payable	<u>20,000</u>
Total current liabilities	<u>1,437,122</u>
Noncurrent liabilities	
Bonds payable, net of discount (Note 7)	<u>297,052</u>
Total Liabilities	<u>\$ 1,734,174</u>
NET ASSETS	
Invested in capital assets -	
Net of related debt	\$ 6,485,398
Unrestricted	<u>203,008</u>
Total Net Assets	<u>\$ 6,688,406</u>

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

Business - Type Activities

	Water Fund
Operating revenues	
Metered sales	\$ 118,925
Penalties and interest charges	5,667
Installation and other charges	110
Total operating revenues	124,702
Operating expenses	
Personnel services	3,617
Contractual services	52,353
Utilities	10,041
Repairs and maintenance	4,313
Other supplies and expenses	8,384
Depreciation	71,242
Total operating expenses	149,950
Operating income (loss)	(25,248)
Nonoperating revenues (expenses)	
Interest and investment income	7,125
Investment custodial fee	(453)
Interest expense	(13,209)
Bond administration fee	(225)
Bond discount amortization	(134)
Total nonoperating revenues (expenses)	(6,896)
Income (loss) before contributions	(32,144)
Capital contributions	2,778,168
Change in net assets	2,746,024
Total net assets - beginning of year	3,942,382
Total net assets - end of year	\$ 6,688,406

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2007

Business - Type Activities

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 119,288
Payments to suppliers	(74,256)
Payments to employees	(3,617)
Receipts from/payments to other funds	<u>(4,644)</u>
Net cash provided (used) by operating activities	<u>36,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of capital assets	(1,568,415)
Interest and dividends, net of fees	<u>6,673</u>
Net cash provided (used) by investing activities	<u>(1,561,742)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal and interest payments on capital debt	(28,565)
Capital contributions	<u>1,543,998</u>
Net cash provided (used) by capital and related financing activities	<u>1,515,433</u>
Net increase (decrease) in cash and cash equivalents	(9,538)
Balances - beginning of year	<u>182,800</u>
Balances - end of year	<u>\$ 173,262</u>

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

Business - Type Activities

	<u>Water Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	(25,248)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	71,242
(Increase) decrease in assets	
Receivables	(5,414)
Inventories	(3,407)
Prepaid expenses	(972)
Increase (decrease) in liabilities	
Accounts payables	(657)
Due to other funds	1,227
Net cash provided by operating activities	<u>\$ 36,771</u>

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
TAX COLLECTION AGENCY FUND
JUNE 30, 2007

	Agency Funds - Current Tax Fund
ASSETS	
Cash and cash equivalents	\$ 958
Total Assets	<u>\$ 958</u>
LIABILITIES	
Due to other funds (Note 4)	\$ 958
Total Liabilities	<u>\$ 958</u>

See accompanying notes to financial statements



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lockport Township conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Lockport Township:

A. Reporting Entity

The Township of Lockport became a general law township in the year 1840, and operates under an elected ⁹ eight-member council (Board). The Township provides the following services: public safety, highways and streets, planning and zoning, water supply services, and general administrative services. A separate board of ~~five~~ members, one of which is on the general board, has responsibility for the water supply services.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educational services are provided through the local school district. Fire services are provided by contract through the Lockport, Fabius and Park Fire Department, which is a separate governmental unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements. There are no non-major governmental funds to report on.

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 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.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The governmental fund balance sheet reflects property taxes receivable. Property tax is levied on each December 1st on the taxable valuation of property located in Lockport Township as of the preceding December 31st.

Although Lockport Township's 2006 ad valorem tax is levied and collectible on December 1, 2006 it is Lockport Township's policy to recognize revenue when collected, 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 2006 taxable valuation of Lockport Township totaled \$90,903,316 on which ad valorem taxes levied consisted of .91237 mills for Lockport Township's operating purposes, raising \$82,789 for operations. These amounts are recognized in the General Fund financial statements as taxes receivable - current or as property tax revenue.

Governmental Funds are those through which most of the governmental functions typically are financed.

- a) **General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b) **Special Revenue Fund** - The Special Revenue Fund accounts for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. There are no special revenue funds to report on.

The Township has only the General Fund to report on. There are no other major or nonmajor funds to report on.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, change in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Water Fund - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Township. The water 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.



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are not included in the government-wide financial statements.

Tax Collection Fund – The Tax Collection Fund accounts for the levy, collection and payment of taxes levied on personal and real estate properties held within the Township.

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 Township has elected to 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 Township's water function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 certificates of deposit with initial maturity dates of less than one year.

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 statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

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 – Inventories of the Water Fund consists of meters and other parts recorded at cost.

Prepaid items - 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, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Buildings	25 - 39 years
Water mains & piping	40 - 50 years
Wells and meters	15 - 25 years
Water equipment	5 - 7 years
Software	3 years
Computer equipment	5 years
Office equipment	10 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized. The township has no infrastructure to report at June 30, 2007.

Compensated Absences (Vacation and Sick Leave) - It is Lockport Township's policy to not permit employees to accumulate unused vacation or sick days from year to year.

Long-Term Obligations - In the government-wide financial statements and in 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balances 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.

Net Assets - In the government-wide financial statements net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

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 fiscal year end. At the annual meeting held in May the budget for the fiscal year commencing July 1 is presented to assembled electors for their comment before it is given final approval. The Council must approve any revisions of the budgets.

The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund. The Township supervisor is empowered to transfer line-item budget amounts within appropriation centers. Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

In the Required Supplemental Information section of the financial statements, the Township's actual expenditures and budgeted expenditures is shown for the governmental funds. The Township incurred expenditures in excess of appropriations in the following:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Excess Expenditure</u>
<u>General Fund:</u>			
General government			
Supervisor	\$37,136	\$37,898	\$ 762
Treasurer	38,036	38,644	608
Planning and zoning			
Planning commission	13,100	15,304	2,204

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Lockport Township Board has designated three banks for the deposit of the Township's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts, certificates of deposit, and in mutual funds, but not the remainder of State statutory authority as listed above.

Lockport Township's deposits and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Demand deposits	\$ 223	\$ 90,488	\$646	\$ 91,357
Savings and Certificates of deposit	<u>358,674</u>	<u>82,774</u>	<u>312</u>	<u>441,760</u>
Total	<u>\$358,897</u>	<u>\$173,262</u>	<u>\$958</u>	<u>\$533,117</u>



LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Township's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$331,936 of bank deposits (checking, savings and certificates of deposit) spread among two banks that were uninsured and uncollateralized. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy restricts certificates of deposit maturities to a period of 12 months or less in order to reduce the Township's interest rate risk.

NOTE 4 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 From	Due to	
Water Fund	General Fund	\$ 6,173
Tax Collection Agency Fund	General Fund	958

The composition of balances **due from other governments** is as follows:

Due to	Due From	
General Fund	State revenue sharing	39,713
General Fund	St. Joseph County Treasurer	590
Water Fund	State of Michigan Department of Environmental Quality	1,418,839
		<u>\$1,459,142</u>

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated:				
Building and improvements	\$ 216,778	\$ 1,601	\$ -	\$ 218,379
Office equipment	30,787	-	-	30,787
	247,565	1,601	-	249,166
Less Accumulated depreciation for:				
Building and improvements	885	4,659	-	5,544
Office equipment	27,517	1,611	-	29,128
	28,402	6,270	-	34,672
Total Governmental Activities -net of depreciation	<u>\$ 219,163</u>	<u>\$ (4,669)</u>	<u>\$ -</u>	<u>\$ 214,494</u>
Business-type Activities				
Non-depreciable capital assets				
Land and easements	\$ 117,874	\$ 15,785	\$ -	\$ 133,659
Water mains, wells not in use	99,412	-	75,000	24,412
Water system Improvements	2,142,255	2,768,973	2,417,298	2,493,930
	2,359,541	2,784,758	2,492,298	2,652,001
Depreciable capital assets				
Buildings	332,646	-	-	332,646
Water mains	887,185	2,476,512	-	3,363,697
Water tower	731,068	-	-	731,068
Wells, pumps	94,432	10,600	-	105,032
Meters	27,502	3,024	289	30,237
Subtotal	2,072,833	2,490,136	289	4,562,680
Less accumulated depreciation				
Buildings	36,861	8,478	-	45,339
Water mains	228,078	42,490	-	270,568
Water tower	7,311	14,621	-	21,932
Wells, pumps	60,574	4,414	-	64,988
Meters	21,165	1,239	289	22,115
Subtotal	353,989	71,242	289	424,942
Net Business-Type Depreciable Capital Assets	<u>1,718,844</u>	<u>2,418,894</u>	<u>-</u>	<u>4,137,738</u>
Total Business-Type Capital Assets – Net of Depreciation	<u>\$4,078,385</u>	<u>\$5,203,652</u>	<u>\$2,492,298</u>	<u>\$6,789,739</u>

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Unallocated	\$ 6,270
Business-Type Activities	
Water	\$71,242

Construction Commitments-The Township is constructing an alternate water supply system. Total to date expenditures of \$6,101,336 have been capitalized. The Township is completing phase 4. It is anticipated that the total project will be approximately \$8.3 million. Part of this project is being financed through a \$335,000 St. Joseph County Limited Tax General Obligation Bond. The remainder of the project will be financed through state grants.

NOTE 6 PENSION PLAN

The Township maintains a deferred contribution plan for substantially all employees. The employer contribution is 25% of eligible compensation. Employees may not contribute. For fiscal year ended June 30, 2007, the employer contribution was \$24,425.

NOTE 7 LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities				
Limited Tax General Obligation Water Supply System Bonds; issued by St. Joseph County in April 2004, \$335,000 bond, 3.5 – 4.55% interest, maturing October 2019.	\$335,000	(\$15,000)	\$320,000	\$20,000
Less, unamortized discount	(3,082)	134	(2,948)	(134)
Total Business-Type Activities	<u>\$331,918</u>	<u>(\$14,866)</u>	<u>\$317,052</u>	<u>\$19,866</u>

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

<u>Year End June 30</u>	<u>Business-Type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 20,000	\$ 12,727	\$ 32,727
2009	20,000	12,017	32,017
2010	20,000	11,298	31,298
2011	20,000	10,573	30,573
2012	25,000	9,751	34,751
2013-2017	125,000	33,837	158,837
2018-2020	90,000	6,203	96,203
Totals	<u>\$320,000</u>	<u>\$96,406</u>	<u>\$416,406</u>

For fiscal year ended June 30, 2007 interest paid totaled \$13,340.

LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 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 has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At fiscal year end there are no outstanding claims.

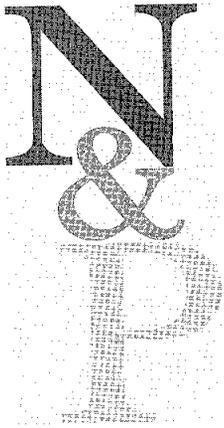


LOCKPORT TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Real and personal property taxes	\$ 107,500	\$ 107,500	\$ 119,025	\$ 11,525
Cable franchise fee	350	350	438	88
State revenue sharing	260,000	260,000	253,741	(6,259)
Charges for services	22,500	22,500	16,476	(6,024)
Sales - zoning books	300	300	-	(300)
Interest	8,000	8,000	18,153	10,153
Special road assessments	10,000	10,000	6,214	(3,786)
Miscellaneous revenues	5,000	5,000	7,910	2,910
Amounts available for appropriations	<u>413,650</u>	<u>413,650</u>	<u>421,957</u>	<u>8,307</u>
Charges to appropriations (outflows)				
General government				
Township Board	101,862	87,062	73,310	13,752
Supervisor	37,136	37,136	37,898	(762)
Elections	6,350	6,350	4,888	1,462
Assessor	32,864	37,864	34,272	3,592
Clerk	38,336	38,336	36,127	2,209
Board of Review	1,275	1,275	725	550
Treasurer	39,036	38,036	38,644	(608)
Township hall	14,100	16,600	5,440	11,160
Cemetery	500	500	300	200
Planning and zoning				
Ordinance enforcement	6,000	7,500	3,150	4,350
Planning commission	13,100	13,100	15,304	(2,204)
Public safety	77,681	78,231	63,972	14,259
Public works	3,500	8,200	8,067	133
Health & welfare	15,000	15,000	14,367	633
Library	26,460	28,010	27,985	25
Transfers to other governments	450	450	-	450
Total charges to appropriations	<u>413,650</u>	<u>413,650</u>	<u>364,449</u>	<u>49,201</u>
Excess (deficiency) of resources over charges to appropriations	-	-	57,508	57,508
Beginning of Year Fund Balance	311,040	311,040	311,040	
End of Year Fund Balance	<u>\$ 311,040</u>	<u>\$ 311,040</u>	<u>\$ 368,548</u>	<u>\$ 57,508</u>





Norman & Paulsen, P.C.

Certified Public Accountants

123 N. Main Street
Three Rivers, MI 49093
269.273.8641
Fax 269.278.8252
E-mail
nptr@npaccounting.com

Other Location:
127 W. Chicago Road
Sturgis, MI 49091
269.651.3228
Fax 269.651.5146
E-mail
normanpaulsen@charter.net

To the Supervisor and Members of the Township Board
Lockport Township, St. Joseph County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Lockport Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Lockport 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 Lockport Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lockport Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 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. We consider the following deficiencies to be significant deficiencies in internal control.

Financial Statement Preparation

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to convert the cash basis trial balance to accrual basis, record changes in capital assets, and present required financial statement disclosures.

We have been contracted by the Township to prepare the financial statements and the related disclosures based on information provided by the Township's management. This service is allowed under the AICPA ethics guidelines and may be the most efficient and effective method for preparing the Township's financial statements. The Township's officials have reviewed and taken responsibility for these financial statements.

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

Norman & Paulsen

Norman & Paulsen, P.C.

Three Rivers, Michigan
November 9, 2007

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)