CHIKAMING TOWNSHIP
Berrien County, Michigan

FINANCIAL STATEMENTS
with Supplementary Information

for the year ended March 31, 2006

HUTTER & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	CHIKAMING TOWNSHIP	BERRIEN

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
3/31/06	06/22/06	8/14/06

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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
HUTTER & ASSOCIATES, P.C.	(219) 874-6770		
Street Address	**City**	**State**	**Zip**
330 COMMERCE SQUARE	MICHIGAN CITY	IN	46360
Authorizing CPA Signature	**Printed Name**	**License Number**	
James R. Hutter CPA	James R. Hutter, CPA	8940	

CHIKAMING TOWNSHIP

Berrien County, Michigan

March 31, 2006

TABLE OF CONTENTS

	Pages
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-viii
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4-5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	9
Proprietary Funds:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11-12
Statement of Cash Flows	13-14
Fiduciary Fund:	
Statement of Assets and Liabilities	15
NOTES TO FINANCIAL STATEMENTS	16-34
SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	35
Budgetary Comparison Schedule - Building Inspection Fund	36

MANAGEMENT'S DISCUSSION and ANALYSIS

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(269) 469-1676
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www.chikamingtownship.org

Ivan Zimmerman, *Supervisor*
Jeanne Dudeck, *Clerk*
Dorothy Simmons, *Treasurer*
Jack Gibson, *Trustee*
William Marske, *Trustee*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Chikaming Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Chikaming Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS:

The Township's combined net assets increased 9.5% from a year ago - increasing from $13,823,978 to $15,135,790. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of $922,584 (21.7%) during the year. A major portion of the increase was due to the gain on the sale of the Lakeside land and building that housed the Township's offices ($623,692), and the grants that were awarded for the construction of the Warren Woods Road park project ($200,979). The business-type activities experienced an increase in net assets of $389,228 (4.1%).

OVERVIEW OF THE FINANCIAL STATEMENTS:

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Chikaming Township's basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to financial statements. This report also contains other supplementary information in addition to the basic 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. These statements are similar to those of a private sector business.

The statement of net assets presents information on all of the 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 the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the 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 the future fiscal periods (e.g., uncollected taxes).

Both of the Government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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 Chikaming Township include general government, public safety, public works and the Park Commission. The business-type activities are the water and sewer systems.

The Government-wide financial statements can be found on pages 3 to 5 of this report.

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. Chikaming 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 the Township can be divided into three categories:

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 current resources and uses 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 governmental entity's short-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, readers may better understand the long-term impact of the government's short-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 the Governmental Funds and governmental activities.

Chikaming Township maintains two 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 and the Building Inspection Fund (Special Revenue Fund), which are considered major funds.

Chikaming Township adopts an annual appropriated budget for the major funds. A budgetary comparison statement has been provided for the General Fund and the Building Inspection Fund to demonstrate compliance with the budget.

The basic Governmental Funds can be found on pages 6 to 9 of this report.

Proprietary Funds:

The Township maintains two Proprietary Type Funds; the Water Fund and the Sewer Fund. These Enterprise Funds are used to report the same functions presented as business-type activities in the Government-wide financial statements.

The Proprietary Funds provide the same type of information as the Government-wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of Chikaming Township.

The basic Proprietary Funds can be found on pages 10 to 14 of this report.

Fiduciary Fund:

The Fiduciary Fund is used to account for resources held for the benefit of parties outside the Township. Fiduciary Funds are not reflected on the Government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for Fiduciary Funds is much like that used for the Proprietary Funds.

The basic Fiduciary Fund can be found on page 15 of this report.

Notes to 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 reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

The Notes to Financial Statements can be found on pages 16 to 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The first table presented below is a summary of the Government-wide statement of net assets for Chikaming Township. As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. As of March 31, 2006, the Township's net assets exceeded liabilities by $15,185,762.

A large portion of Chikaming Township's net assets (44%) reflects its investment in capital assets (e.g., land, buildings, equipment and utility systems), less any related debt used to acquire those assets that is still outstanding. Chikaming Township uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

CHIKAMING TOWNSHIP

SUMMARY OF STATEMENT OF NET ASSETS

as of March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Current and other assets	$1,706,059	$ 7,032,086	$ 8,738,145
Capital assets	3,481,702	4,541,461	8,023,163
Total assets	5,187,761	11,573,547	16,761,308
Long-term liabilities outstanding	-	1,277,138	1,277,138
Other liabilities	17,158	281,250	298,408
Total liabilities	17,158	1,558,388	1,575,546
Net assets:			
Invested in capital assets, net of related debt	3,481,702	3,264,323	6,746,025
Restricted	589,419	919,013	1,508,432
Unrestricted	1,099,482	5,831,823	6,931,305
Total net assets	$5,170,603	$10,015,159	$15,185,762

A portion of Chikaming Township's net assets (9.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets ($6,931,305) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year ended March 31, 2005.

CHIKAMING TOWNSHIP

SUMMARY OF CHANGES IN NET ASSETS

for the year ended March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	$ 474,935	$1,873,306	$ 2,348,241
General revenues:			
Property taxes	677,334	-	677,334
State-shared revenues	252,381	-	252,381
Interest and rentals	50,692	59,673	110,365
Gain on sale of real estate	623,692	-	623,692
Gain from Joint Venture	-	35,787	35,787
Grant income	200,979	-	200,979
Other	15,000	-	15,000
Total revenues	2,295,013	1,968,766	4,263,779
Expenses:			
General government	337,817	-	337,817
Public safety	937,862	-	937,862
Public works	54,979	-	54,979
Park Commission	41,771	-	41,771
Public utility funds	-	1,579,538	1,579,538
Total expenses	1,372,429	1,579,538	2,951,967
Changes in net assets	922,584	389,228	1,311,812
Net assets, beginning of year	4,251,219	9,572,759	13,823,978
Net assets, end of year	$5,173,803	$9,961,987	$15,135,790

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

Governmental Funds:

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

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was $973,363.

The fund balance of the General Fund increased by $560,351 during the current fiscal year. Key factors in this increase were revenues in excess of projected budgeted amounts by $86,454 and a decrease in projected budgeted expenditures of $115,129.

Proprietary Funds:

Chikaming Township provides the same type of information found in the Government-wide financial statements, but in more detail.

Business-type activities increased Chikaming Township's net assets by $442,400 accounting for 34% of the growth in the net assets. Charges for services were $1,873,306 or 95% of the total business-type revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS:

Differences between the original budget and the final amended budget were significant and resulted in a net increase in budgeted revenues of $386,039. Changes during the year for the budget were caused by the sale of the Lakeside real estate ($623,692). Additionally, capital expenditures were made for the improvements to the Park and Preserve, and progress billings paid for the Harbert administrative office addition.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets:

Chikaming Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006 amounted to $8,023,163 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and utility systems.

Long-Term Debt:

At the end of the current fiscal year, Chikaming Township had total bonded debt outstanding of $1,335,000. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) from the Water Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

When determining the budget for the next fiscal year 2006-2007, the following factors were considered:

1. The State of Michigan is estimating that revenue-sharing will decrease compared to the previous year.

2. Property tax revenue is estimated to increase 5% over last year.

3. In July, 2006, the Township will occupy the new administrative offices at the Public Safety Building in Harbert, Michigan. Construction costs will be paid primarily with the proceeds of the sale of the office facilities located in Harbert, Michigan. The budget for occupancy costs will be adjusted as experience dictates.

4. All other estimates will be based on prior year actual activity.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of Chikaming 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 additional financial information should be addressed to:

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township (the "Township") as of and for the year ended March 31, 2006, 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township as of March 31, 2006, 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 (pages i through viii) and the supplementary information (pages 35 and 36) are not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying supplementary information, as identified in the table of contents, is presented for 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.

Shutter & Associates, P.C.

June 22, 2006

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHIKAMING TOWNSHIP

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

as of March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$1,537,810	$ 3,932,665	$ 5,470,475
Investments	-	200,000	200,000
Inventory, at cost	-	32,604	32,604
Receivables, net	128,074	141,873	269,947
Internal balances	29,427	-	29,427
Due from other governments	-	54,400	54,400
Prepaid expenses	10,748	5,433	16,181
Equity investment	-	2,665,111	2,665,111
Capital assets, net	3,481,702	4,541,461	8,023,163
Total assets	5,187,761	11,573,547	16,761,308
Liabilities:			
Accounts payable	17,008	113,043	130,051
Internal balances	150	29,427	29,577
Other payables	-	138,780	138,780
Long-term debt:			
Due within one year	-	130,000	130,000
Due in more than one year	-	1,147,138	1,147,138
Total liabilities	17,158	1,558,388	1,575,546
Net assets:			
Invested in capital assets, net of related debt	3,481,702	3,264,323	6,746,025
Restricted for:			
Debt service	-	919,013	919,013
Capital expenditures	578,671	-	578,671
Other items	10,748	-	10,748
Unrestricted	1,099,482	5,831,823	6,931,305
Total net assets	$5,170,603	$10,015,159	$15,185,762

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

CHIKAMING TOWNSHIP

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

for the year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operational Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 337,817	$ 256,157	$15,000	$ -
Public safety	937,862	218,778	-	-
Public works	54,979	-	-	-
Park Commission	41,771	-	-	200,979
Total governmental activities	1,372,429	474,935	15,000	200,979
Business-type activities:				
Water	1,001,485	1,142,936	-	-
Sewer	578,053	730,370	-	-
Total business-type activities	1,579,538	1,873,306	-	-
Total activities	$2,951,967	$2,348,241	$15,000	$200,979

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

Net (Expenses) Revenues
$ (66,660)
(719,084)
(54,979)
159,208
(681,515)
141,451
152,317
293,768
$(387,747)

CHIKAMING TOWNSHIP

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES, CONCLUDED

for the year ended March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expenses) revenues	$ (681,515)	$ 293,768	$ (387,747)
General revenues:			
Property taxes	677,334	-	677,334
State-shared revenues	252,381	-	252,381
Interest and rentals	50,692	59,673	110,365
Special items:			
Gain from Joint Venture	-	35,787	35,787
Gain on sale of real estate	623,692	-	623,692
Total general revenues and special items	1,604,099	95,460	1,699,559
Changes in net assets	922,584	389,228	1,311,812
Net assets, beginning of year	4,251,219	9,572,759	13,823,978
Net assets, end of year	$5,173,803	$9,961,987	$15,135,790

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

FUND FINANCIAL STATEMENTS

CHIKAMING TOWNSHIP

GOVERNMENTAL FUNDS
BALANCE SHEET

as of March 31, 2006

ASSETS	General	Special Revenue (Building Inspection)	Total Governmental Funds
Cash and cash equivalents	$ 825,057	$133,932	$ 958,989
Restricted cash	578,671	-	578,671
Taxes receivable	38,407	-	38,407
Due from other funds	29,427	-	29,427
Other receivables	89,667	-	89,667
Prepaid insurance	10,748	-	10,748
Total assets	$1,571,977	$133,932	$1,705,909
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 9,195	$ 7,813	$ 17,008
Fund balances:			
Reserved for capital expenditures	578,671	-	578,671
Reserved for prepaid items	10,748	-	10,748
Unreserved reported in:			
General Fund	973,363	-	973,363
Special Revenue Fund	-	126,119	126,119
Total fund balances	1,562,782	126,119	1,688,901
Total liabilities and fund balances	$1,571,977	$133,932	$1,705,909

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

CHIKAMING TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

as of March 31, 2006

Fund balances of Governmental Funds	$1,688,901
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:	
Add, capital assets	4,152,459
Deduct, accumulated depreciation	(670,757)
Net assets of governmental activities	$5,170,603

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

CHIKAMING TOWNSHIP

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the year ended March 31, 2006

	General	Special Revenue (Building Inspection)	Total Governmental Funds
Revenues:			
Property taxes	$ 677,334	$ -	$ 677,334
Administrative fees	113,754	-	113,754
State-shared revenues	252,381	-	252,381
Licenses and permits	23,665	218,778	242,443
State grants	200,979	-	200,979
Sale of assets	623,692	-	623,692
Charges for services	69,021	-	69,021
Interest	39,592	-	39,592
Rentals	11,100	-	11,100
Other	64,717	-	64,717
Total revenues	2,076,235	218,778	2,295,013
Expenditures:			
Legislative	8,538	-	8,538
General government	295,882	-	295,882
Public safety	679,756	189,317	869,073
Public works	54,979	-	54,979
Park Commission	27,597	-	27,597
Capital expenditures	449,132	-	449,132
Total expenditures	1,515,884	189,317	1,705,201
Net changes in fund balances	560,351	29,461	589,812
Fund balances, beginning of year	1,005,581	96,658	1,102,239
Fund balances, end of year	$1,565,932	$126,119	$1,692,051

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

CHIKAMING TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

for the year ended March 31, 2006

Net changes in fund balances of total Governmental Funds	$589,812
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 are allocated over their estimated useful lives and reported as depreciation expense:	
Add, capital items purchased during year	449,132
Deduct, depreciation expense	(116,360
Changes in net assets of governmental activities	$922,584

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

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

as of March 31, 2006

ASSETS	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Current assets:			
Cash and cash equivalents	$1,034,888	$2,078,764	$ 3,113,652
Investment (certificate of deposit over 90 days)	-	100,000	100,000
Inventory, at cost	32,604	-	32,604
Accounts receivable	3,057	4,679	7,736
Assessments receivable, current portion	15,300	13,000	28,300
Due from GRSD Sewer Authority, current portion	-	40,800	40,800
Prepaid rent	250	125	375
Prepaid insurance	5,058	-	5,058
Total current assets	1,091,157	2,237,368	3,328,525
Non-current assets:			
Restricted:			
Cash and cash equivalents	819,013	-	819,013
Investment (certificate of deposit over 90 days)	100,000	-	100,000
Capital assets, net	3,031,876	1,509,585	4,541,461
Assessments receivable, net of current portion	17,643	88,194	105,837
Due from GRSD Sewer Authority, net of current portion	-	13,600	13,600
Investment in Joint Venture	-	2,665,111	2,665,111
Total non-current assets	3,968,532	4,276,490	8,245,022
Total assets	$5,059,689	$6,513,858	$11,573,547

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

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 81,028	$ 32,015	$ 113,043
Due to General Fund	24,015	5,412	29,427
Meter deposits due customers	138,780	-	138,780
Bonds payable, current portion	130,000	-	130,000
Total current liabilities	373,823	37,427	411,250
Non-current liabilities:			
Bonds payable, net of current portion	1,205,000	-	1,205,000
Deferred amount on refunding	(57,862)	-	(57,862)
Total non-current liabilities	1,147,138	-	1,147,138
Total liabilities	1,520,961	37,427	1,558,388
Net assets:			
Invested in capital assets, net of related debt	1,754,738	1,509,585	3,264,323
Restricted for debt service	919,013	-	919,013
Unrestricted	864,977	4,966,846	5,831,823
Total net assets	3,538,728	6,476,431	10,015,159
Total liabilities and net assets	$5,059,689	$6,513,858	$11,573,547

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

for the year ended March 31, 2006

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	$ 984,190	$ 513,691	$ 1,497,881
Service installation	136,200	-	136,200
Hydrant rentals	17,618	-	17,618
Miscellaneous	4,928	1,675	6,503
Total operating revenues	1,142,936	515,366	1,658,302
Operating expenses:			
Water purchases	286,536	-	286,536
Sewage treatment	-	338,243	338,243
Materials and supplies	82,750	-	82,750
Salaries and wages	151,023	42,224	193,247
Payroll taxes	11,171	2,164	13,335
Insurance and employee benefits	53,882	12,344	66,226
Office supplies and expense	694	512	1,206
Repairs and maintenance	875	18,144	19,019
Computer expense	7,633	155	7,788
Mileage and travel	10,136	-	10,136
Professional services	7,406	4,594	12,000
Booster station expense	49,559	-	49,559
Pumphouse operations	16,163	-	16,163
Rent	4,500	2,400	6,900
Utilities	3,201	1,547	4,748
Postage	3,782	2,265	6,047
Miss Dig	189	-	189
Engineering fees	8,147	6,286	14,433
Subcontractors	43,046	-	43,046
Bond paying agent charges	400	-	400
Depreciation	106,945	138,261	245,206
Property insurance	20,068	-	20,068
Meter upgrade program	44,720	-	44,720
Miscellaneous	6,853	8,914	15,767
Total operating expenses	919,679	578,053	1,497,732
Operating income (loss)	223,257	(62,687)	160,570

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

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS, CONCLUDED

for the year ended March 31, 2006

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Non-operating revenues (expenses):			
Interest and dividends from investments	$ 49,995	$ 57,479	$ 107,474
Interest income from special assessments	3,177	2,194	5,371
Interest expense	(81,806)	-	(81,806
Net gain from Joint Venture	-	35,787	35,787
Special assessments	-	215,004	215,004
Total non-operating revenues (expenses)	(28,634)	310,464	281,830
Changes in net assets	194,623	247,777	442,400
Net assets, beginning of year	3,344,105	6,228,654	9,572,759
Net assets, end of year	$3,538,728	$6,476,431	$10,015,159

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

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

for the year ended March 31, 2006

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers	$1,166,850	$ 658,052	$1,824,902
Payments to suppliers	(609,889)	(385,517)	(995,406
Payments to employees	(151,023)	(42,224)	(193,247
Received from other governments	-	44,200	44,200
Interest received	53,172	59,673	112,845
Interest paid	(81,806)	-	(81,806
Net cash provided by operating activities	377,304	334,184	711,488
Cash flows from capital and related financing activities:			
Purchases of capital assets	(286,286)	(33,957)	(320,243
Principal paid on capital debt	(120,000)	-	(120,000
Net cash used in capital and related financing activities	(406,286)	(33,957)	(440,243
Net increase (decrease) in cash and cash equivalents	(28,982)	300,227	271,245
Cash and cash equivalents, beginning of year	1,882,883	1,778,537	3,661,420
Cash and cash equivalents, end of year	$1,853,901	$2,078,764	$3,932,665

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

CHIKAMING TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONCLUDED

for the year ended March 31, 2006

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 194,623	$ 247,777	$ 442,400
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	106,945	138,261	245,206
Gain from Joint Venture	-	(35,787)	(35,787)
Changes in assets and liabilities:			
Decrease (increase) in:			
Inventory, at cost	(6,502)	-	(6,502)
Accounts receivable	2,638	852	3,490
Assessments receivable	17,180	(73,170)	(55,990)
Prepaid insurance	(5,058)	-	(5,058)
Due from GRSD Sewer Authority	-	44,200	44,200
Increase (decrease) in:			
Accounts payable	55,775	12,051	67,826
Meter deposits due customers	4,096	-	4,096
Deferred revenues	7,607	-	7,607
Net cash provided by operating activities	$ 377,304	$ 334,184	$ 711,488

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

CHIKAMING TOWNSHIP

FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES

as of March 31, 2006

TRUST AND AGENCY FUND

Assets:	
Cash and cash equivalents	$150
Liabilities:	
Due to General Fund	$150

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

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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

A. REPORTING ENTITY.

Chikaming Township was established by the Board of Supervisors on March 4, 1856. The Township operates under an elected five member Board consisting of a supervisor, clerk, treasurer and two trustees and provides the following services: public safety (police and fire), ambulance, water, sewer, recreation, planning and zoning, and general administrative services.

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, which 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, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from the Government-wide financial statements. Major individual Governmental Funds and major Enterprise Funds are reported as separate columns in the Fund financial statements.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

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 Funds and Fiduciary Fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes are levied on December 31 and payable in two installments on February 14 and September 14. The Township bills and collects its own property taxes and also the taxes for the County, State of Michigan and two school districts. Collections of the taxes and remittance of them are accounted for in the Current Tax Collection Fund. Property tax revenues are recognized when levied to the extent that they result in current receivables.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Chikaming 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 Building Inspection Fund (a Special Revenue Fund) accounts for the revenues and expenditures related to the activities of the Inspection Department.

Chikaming Township reports the following major Proprietary Funds:

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY.

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the local unit of government's water and sewer lines.

Capital Assets - Capital assets, which include property, plant and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items constructed or acquired after 1980) are reported in the applicable governmental or business-type activities column in the Government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were assets under construction which were financed with internal funds.

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

Buildings	30 to 50 years
Building improvements	15 to 30 years
Land improvements	10 to 20 years
Water and sewer lines	25 to 40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years
Other equipment	5 to 12 years

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

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

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 balances represent tentative management plans that are subject to change.

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

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 appropriations lapse at fiscal year end. The Township performs the following procedures in establishing the budgetary data reflected in the Fund financial statements:

1. The Township Board prepares a proposed operating budget for the fiscal year commencing April 1. The operating budget for the Enterprise Funds is also prepared by the Township Board. These operating budgets include proposed expenditures and the means of financing them.

2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.

3. The budget is formally adopted at a duly posted special meeting following the public budget hearing.

4. Transfers or amendments to the budget may only be approved by the Township Board.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

Excess of Expenditures over Appropriations in Major Budgeted Funds

General Fund and Building Inspection (Special Revenue) Funds:

There were no major budgeted funds that had expenditures exceeding appropriations.

Note 3. DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six (6) banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

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

Note 3. DEPOSITS AND INVESTMENTS, CONCLUDED.

At March 31, 2006, the Township's deposits and investments were reported in the basic financial statements by the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Fund	Total
Cash and cash equivalents	$1,537,710	$3,113,652	$3,256	$4,654,618
Investments	-	200,000	-	200,000
Restricted assets	-	819,013	-	819,013
	$1,537,710	$4,132,665	$3,256	$5,673,631

The breakdown between deposits and investments is as follows:

Bank deposits (checking, savings, money market accounts, certificates of deposit)	$5,160,991
Investments (certificate of deposit over 90 days)	200,000
Money market funds (U.S. Treasury insured)	312,640
	$5,673,631

The following is a schedule of insured and uninsured Bank deposits of the Township as of March 31, 2006:

	Insured	Uninsured	Total
Berrien Teachers Credit Union	$ 100,000	$ -	$ 100,000
Edgewater Bank	100,000	-	100,000
Fifth Third Bank	330,886	775,024	1,105,910
Horizon Bank	200,000	2,152,650	2,352,650
J.P. Morgan Institutional Trust Services	312,640	-	312,640
New Buffalo Savings Bank	200,000	1,502,431	1,702,431
	$1,243,526	$4,430,105	$5,673,631

Note 4. RECEIVABLES.

Receivables as of March 31, 2006 for the Township's individual major and non-major funds, and Fiduciary Fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Water and Sewer Funds	Other Funds	Total
Taxes receivable	$38,407	$ -	$ -	$ -	$ 38,407
Accounts receivable	-	-	7,736	-	7,736
Special assessments	-	-	135,137	-	135,137
Intergovernmental	-	-	54,400	-	54,400
Gross receivables	38,407	-	197,273	-	235,680
Less, allowance for uncollectibles	-	-	-	-	-
Net receivables	$38,407	$ -	$197,273	$ -	$235,680

Note 5. INTERFUND RECEIVABLES AND PAYABLES.

Fund	Interfund Receivables	Fund	Interfund Payables
General	$29,577	Trust and Agency	$ 150
		Water	24,015
		Sewer	5,412
	$29,577		$29,577

Note 6. CAPITAL ASSETS.

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

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$1,882,301	$ -	$ -	$1,882,301
Construction in progress	-	171,673	-	171,673
Subtotal	1,882,301	171,673	-	2,053,974
Capital assets being depreciated:				
Buildings	918,453	-	-	918,453
Improvements other than buildings	87,511	269,327	-	356,838
Machinery and equipment	815,112	8,082	-	823,194
Subtotal	1,821,076	277,409	-	2,098,485
Less, accumulated depreciation for:				
Buildings	76,614	23,551	-	100,165
Improvements other than buildings	29,002	14,021	-	43,023
Machinery and equipment	448,781	78,788	-	527,569
Subtotal	554,397	116,360	-	670,757
Net capital assets being depreciated	1,266,679	161,049	-	1,427,728
Governmental activities capital assets, net of depreciation	$3,148,980	$332,722	$ -	$3,481,702

Note 6. CAPITAL ASSETS, CONCLUDED.

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 11,000	$ -	$ -	$ 11,000
Subtotal	11,000	-	-	11,000
Capital assets being depreciated:				
Infrastructure	8,011,204	314,867	-	8,326,071
Machinery and equipment	254,730	5,376	-	260,106
Subtotal	8,265,934	320,243	-	8,586,177
Less, accumulated depreciation for:				
Infrastructure	3,587,717	233,041	-	3,820,758
Machinery and equipment	222,793	12,165	-	234,958
Subtotal	3,810,510	245,206	-	4,055,716
Net capital assets being depreciated	4,455,424	75,037	-	4,530,461
Business-type activities capital assets, net of depreciation	$4,466,424	$ 75,037	$ -	$4,541,461

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General government	$ 33,397
Public safety	64,505
Park Commission	14,174
Building Inspection	4,284
Total Governmental Activities	$116,360
Business-Type Activities:	
Water	$106,946
Sewer	138,260
Total Business-Type Activities	$245,206

Construction Commitments - The Township had no material water or sewer extension projects in progress at March 31, 2006.

Note 7. GENERAL FUND RESTRICTED ASSETS.

The restricted assets of the General Fund represent cash and certificates of deposit to be used for the purchase of capital improvements as follows:

Park and Preserve	$550,000
Park Board	16,171
Police Department	12,500
	$578,671

Note 8. JOINT VENTURE - PROPRIETARY FUND.

Chikaming Township participates in a Joint Venture with New Buffalo Township, Lake Charter Township and the cities of Bridgman and New Buffalo. The purpose of the Venture, called the GRSD Sewer Authority (the "Authority"), is to provide sanitary sewage treatment and collection facilities for the residences of those communities.

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

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

Chikaming Township	28.6%
City of Bridgman	16.6%
City of New Buffalo	21.6%
Lake Charter Township	16.6%
New Buffalo Township	16.6%

Note 8. JOINT VENTURE - PROPRIETARY FUND, CONCLUDED.

Chikaming Township is accounting for its investment in the Authority as a Joint Venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2005, audited by other independent accountants, whose report dated May 5, 2006, expressed an unqualified opinion on those statements.

Total assets	$15,414,413
Total liabilities	149,112
Net assets	$15,265,301
Operating revenues	$ 1,396,834
Operating expenses	1,373,140
Operating income	23,694
Non-operating income	101,434
Change in net assets	125,128
Net assets, beginning of year	15,140,173
Net assets, end of year	$15,265,301

Complete financial statements for the GRSD Sewer Authority may be obtained at the Authority's administrative office:

RSD Sewer Authority
10831 Kruger Road
New Buffalo, Michigan 49117

The Township's net investment and its share of the operating results of the Authority are reported in the Township's Sewer Fund. The Township's equity interest was $2,665,111 as of December 31, 2005.

Note 9. LONG-TERM DEBT.

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

BUSINESS-TYPE ACTIVITIES	Interest Rate	Principal Matures	Beginning Balance
Water System Supply Revenue Refunding Bonds, Series 1994 (non-refundable bonds)	5.9%-6.5%	5/1/2014	$ 135,000
Water System Supply Revenue Refunding Bonds, Series 2001 (refunds callable, Series 1994)	4.45%-5.5%	5/1/2014	1,320,000
			$1,455,000

Additions (Reductions)	Ending Balance	Due Within One Year
$ (10,000)	$ 125,000	$ 10,000
(110,000)	1,210,000	120,000
$(120,000)	$1,335,000	$130,000

Note 9. LONG-TERM DEBT, CONCLUDED.

WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS.

On October 1, 2001, the Chikaming Township Water Department issued $1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001. The purpose of the bonds is to finance an advance refunding of a portion of the outstanding Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, and to pay the cost of issuing the bonds.

Interest is payable semi-annually on May 1 and November 1 of each year commencing May 1, 2002. Interest rates range from 4.35% to 5.50%. The bonds are fully matured in 2014.

A deferred loss of $95,000 was recognized as a result of this refunding, amortized over the 13 year life of the new debt. Annual amortization of $7,308 is recorded as an addition to interest expense.

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

Fiscal Year Ending March 31,	Water Fund		
	Principal	Interest	Total
2007	$ 130,000	$ 66,835	$ 196,835
2008	135,000	59,460	194,460
2009	145,000	51,673	196,673
2010	160,000	43,619	203,619
2011	165,000	26,585	191,585
Later years	600,000	94,776	694,776
	$1,335,000	$342,948	$1,677,948

Note 10. RISK MANAGEMENT.

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

Note 11. RETIREMENT PLANS.

The Township has two retirement plans covering substantially all of its full time employees.

Defined Contribution Pension Plan

In 1971, the Township established the Chikaming Township Pension Plan, a defined contribution money purchase pension plan under Section 457 of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The following is information of the Plan:

. Eligibility requirements:	All full time employees and elected officials age 18 with zero years of service
. Normal retirement age:	Age 65
. Early retirement age:	Age 55
. Vesting:	100% at time of contribution
. Contribution limits:	Employer - 9% of compensation with $225 minimum
	Employee - 1% of compensation with $75 minimum
. Benefit determination:	Accumulated amount in Plan at termination date
. Latest revision date:	April 1, 1997

All funds are invested in John Hancock Life Insurance Company guaranteed accounts. Current year contributions are $37,987 and $7,234 for the employer and employee, respectively.

Note 11. RETIREMENT PLANS, CONTINUED.

Defined Benefit Pension Plan

Plan Description - Effective January 1, 2006, the Township began participation in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to:

MERS
1134 Municipal Way
Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by a Township Board resolution and requires the employees to contribute 3% of their gross pay to the Plan. The participants of the Defined Contribution Pension Plan could voluntarily transfer their individual plan balance to this new plan, or remain with the Defined Benefit Pension Plan. New employees are required to join the Defined Benefit Pension Plan.

Annual Pension Cost - For the three months ended March 31, 2006, the Township's pension cost of $7,969 was contributed for the Plan. Additionally, employees contributed $3,068 to the Plan.

The formula for determination of the annual pension cost upon normal retirement is as follows:

Selected Multiplier (1.7%) times years of Credited Service times Final Average Compensation.

Note 11. RETIREMENT PLANS, CONCLUDED.

There are two types of plans within the Defined Benefit Pension Plan, called the "In-Office" Plan and "Out-of-Office" Plan. Details are as follows:

	In-Office Plan	Out-of-Office Plan
• Multiplier percent of final average compensation:		
Average over 3 years	1.7%	
Average over 5 years		1.7%
• Vesting period	6 years	10 years
• Normal retirement age	Age 60	Age 60
• Early retirement age with 25 years service	N/A	Age 55
• Disability benefit	No	Yes

After completion of actuarial valuations, the In-Office Plan would require an employer contribution estimated at 9.21%, which would be paid on the gross (base plus overtime) salary of the participant. The employee participant would contribute 3% of their gross salary.

After completion of actuarial valuations, the Out-of-Office Plan would require an employer contribution estimated at 8.47%, which would be paid on the gross (base plus overtime) salary of the participant. The employee participant would contribute 3% of their gross salary.

SUPPLEMENTARY INFORMATION

CHIKAMING TOWNSHIP

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

for the year ended March 31, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Actual Over (Under Final Budge
	Original	Final		
Revenues:				
Property taxes	$ 686,200	$ 686,200	$ 677,334	$ (8,866)
Administrative fees	105,600	105,600	113,754	8,154
State-shared revenues	253,500	253,500	252,381	(1,119)
Licenses and permits	24,710	24,710	23,665	(1,045)
State grants	-	200,979	200,979	-
Sale of real estate	-	623,692	623,692	-
Charges for services	21,500	21,500	69,021	47,521
Interest income	15,000	15,000	39,592	24,592
Rentals	11,100	11,100	11,100	-
Miscellaneous income	47,500	47,500	64,717	17,217
Total revenues	1,165,110	1,989,781	2,076,235	86,454
Expenditures:				
Legislative	8,240	8,240	8,538	298
General government:				
Supervisor	80,915	80,915	78,451	(2,464)
Elections	800	800	81	(719)
Clerk	51,750	51,750	48,059	(3,691)
Treasurer	35,400	35,400	34,229	(1,171)
Board of Review	3,800	3,800	2,622	(1,178)
Cemetery	46,500	47,000	46,653	(347)
Other general government	71,450	85,450	85,787	337
Public safety:				
Police and liquor law enforcement	399,340	399,340	383,904	(15,436)
Fire protection	138,446	138,446	127,381	(11,065)
Planning and zoning	34,600	41,600	40,729	(871)
First responder service	128,640	130,640	127,742	(2,898)
Park Commission	50,000	50,000	27,597	(22,403)
Public works:				
Highway lighting	23,500	23,500	22,358	(1,142)
Road maintenance	81,000	81,000	29,800	(51,200)
County drain-at-large	3,000	4,000	2,821	(1,179)
Capital expenditures	35,000	449,132	449,132	-
Total expenditures	1,192,381	1,631,013	1,515,884	(115,129)
Net change in fund balance	(27,271)	358,768	560,351	201,583
Fund balance, beginning of year	1,005,581	1,005,581	1,005,581	-
Fund balance, end of year	$ 978,310	$1,364,349	$1,565,932	$201,583

CHIKAMING TOWNSHIP

BUILDING INSPECTION FUND
BUDGETARY COMPARISON SCHEDULE

for the year ended March 31, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Actual Over (Under Final Budge
	Original	Final		
Revenues:				
Licenses and permits	$199,750	$199,750	$218,778	$19,028
Expenditures:				
Public safety	205,650	205,650	189,317	(16,333)
Capital expenditures	50,000	50,000	-	(50,000)
Total expenditures	255,650	255,650	189,317	(66,333)
Net change in fund balance	(55,900)	(55,900)	29,461	85,361
Fund balance, beginning of year	96,658	96,658	96,658	-
Fund balance, end of year	$ 40,758	$ 40,758	$126,119	$85,361

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MATTHEW E. HOLLANDER, CPA

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June 22, 2006

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of Chikaming Township, Berrien County Michigan, as of and for the year ended March 31, 2006, which collectively comprise Chikaming Township, Berrien County Michigan's basic financial statements and have issued our report thereon dated June 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chikaming Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. (See attached schedule of comments and recommendations.) Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

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

Hetter & Associates, P.C.

June 22, 2006

Reconciliation of Bank Accounts – Water & Sewer Funds:

During the course of our audit, we observed that the Water & Sewer Funds clerk was not reconciling bank statements on a monthly basis to the general ledger.

Although reconcilations were made to detailed cash receipts and disbursement journals on a monthly basis, the bank statements were not reconciled to the general ledger. As a result, the general ledger balance at any given time could be out of balance with the journals and the bank balance.

We recommend the Township Treasurer, as the legal custodian of all Township funds, take over the cash receipting duties of the Water & Sewer Funds. This would include making all deposits to the various Township's bank accounts. Other Township officials receiving Township money must deposit their collections with the Treasurer in the manner set forth under receipting procedures of the Uniform Accounting Procedures Manual. Officials outside the Treasurer's office should not make deposits to the Township's bank accounts.

Additionally, all bank accounts must be reconciled to the Water & Sewer Funds accounting records monthly. The Water & Sewer clerk's records must agree with or reconcile to the Treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the Water & Sewer clerk and one copy for the Treasurer. Canceled checks are to be filed with the bank statement to which they apply.

Receipting of Miscellaneous Cash:

We observed that, in some instances, a receipt is provided to the payer /customer that was not controlled by a numbering sequence.

We recommend that all written receipts given for cash receipts be pre-numbered and pre-printed, prepared in triplicate. Each receipt must clearly indicate the name of the payer, the amount paid, the purpose of payment, the fund name and number, account number, and signature of the official receiving the money. Receipts should also indicate check or money order number or indicate "cash". All copies of voided or cancelled receipts must be retained in the receipt book.

Where the volume of receipts and revenue account numbers warrant, the department receiving cash should maintain a cash receipts journal, posting each receipt and extending it to the proper fund and account. Totals from such a journal would be used in preparing the monthly transmittal advise. Note: only the official receipt prepared by the Township Treasurer would be posted to the official receipts journal from which monthly postings are made to the general ledger.