TOWNSHIP OF PIPESTONE
Berrien County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Pipestone	Berrien

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2006	June 7, 2006	July 7, 2006

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell Kusterer & Co., P.C.			

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 7, 2006

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Pipestone, Berrien County, Michigan 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 Township of Pipestone's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pipestone, Berrien County, Michigan as of March 31, 2006, and the respective changes in financial position 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 listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Pipestone covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled $329,966.92 for governmental activities.

Overall revenues were $263,459.24. Governmental activities had a $16,800.33 decrease in net assets.

Taxable value increased by approximately 6.0%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Building Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

> Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are roads which incurred expenses of $43,716.76 and Fire Protection which incurred expenses of $98,549.75.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities did not invest in capital assets this year.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 61% of our income. We continue to grow at a 6.0% rate in taxable values.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Richard Skibbe (269) 461-6314 or the Township Clerk, Alan Nimtz (269) 944-1063.

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	323 465 13
Taxes receivable	3 526 91
Total Current Assets	326 992 04
NON-CURRENT ASSETS:	
Capital Assets	44 744 76
Less: Accumulated Depreciation	(41 769 88)
Total Non-current Assets	2 974 88
TOTAL ASSETS	329 966 92
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Current Liabilities	-
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2 974 88
Unrestricted	326 992 04
Total Net Assets	329 966 92
TOTAL LIABILITIES AND NET ASSETS	329 966 92

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		Program Revenue	Governmental Activities
	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 465 00	-	(2 465 00)
General government	102 468 02	16 800 00	(85 668 02)
Public safety	119 916 85	20 561 00	(99 355 85)
Public works	44 745 20	-	(44 745 20)
Culture and recreation	630 00	-	(630 00)
Other	10 034 50	-	(10 034 50)
Total Governmental Activities	280 259 57	37 361 00	(242 898 57)
General Revenues:			
Property taxes			48 753 85
State revenue sharing			159 646 51
Interest			10 349 55
Miscellaneous			7 348 33
Total General Revenues			226 098 24
Change in net assets			(16 800 33)
Net assets, beginning of year			346 767 25
Net Assets, End of Year			329 966 92

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	General	Building	Total
Assets			
Cash in bank	306 299 07	17 165 06	323 464 13
Taxes receivable	3 526 91	-	3 526 91
Due from other funds	1 00	-	1 00
Total Assets	309 826 98	17 165 06	326 992 04
Liabilities and Fund Equity			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	309 826 98	17 165 06	326 992 04
Total fund equity	309 826 98	17 165 06	326 992 04
Total Liabilities and Fund Equity	309 826 98	17 165 06	326 992 04

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	326 992 04
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 governmental funds balance sheet:	
Capital assets at cost	44 744 76
Accumulated depreciation	(41 769 88)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	329 966 92

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General	Building	Total
Revenues:			
Property taxes	48 753 85	-	48 753 85
Licenses and permits	-	20 561 00	20 561 00
State revenue sharing	159 646 51	-	159 646 51
Charges for services	16 800 00	-	16 800 00
Interest	10 349 55	-	10 349 55
Miscellaneous	7 348 33	-	7 348 33
Total revenues	242 898 24	20 561 00	263 459 24
Expenditures:			
Legislative:			
Township Board	2 465 00	-	2 465 00
General government:			
Supervisor	9 477 95	-	9 477 95
Elections	1 078 27	-	1 078 27
Clerk	13 468 09	-	13 468 09
Assessor	15 488 51	-	15 488 51
Board of Review	798 00	-	798 00
Treasurer	10 812 70	-	10 812 70
Cemetery	23 145 67	-	23 145 67
Township Hall	2 175 77	-	2 175 77
Financial administration	22 572 80	-	22 572 80
Public safety:			
Fire protection	98 549 75	-	98 549 75
Planning	7 004 50	-	7 004 50
Protective inspection	-	18 132 78	18 132 78
Enforcement officer	2 874 32	-	2 874 32
Public works:			
Highways and streets	43 716 76	-	43 716 76
Drains at large	1 028 44	-	1 028 44
Culture and recreation:			
Library	630 00	-	630 00
Other functions:			
Community development	3 390 00	-	3 390 00
Total expenditures	258 676 53	18 132 78	276 809 31
Excess of revenues over expenditures	(15 778 29)	2 428 22	(13 350 07)
Fund balances, April 1	325 605 27	14 736 84	340 342 11
Fund Balances, March 31	309 826 98	17 165 06	326 992 04

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

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

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

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	(13 350 07)
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	
Depreciation Expense	(3 450 26)
Capital Outlay	-
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(16 800 33)

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pipestone, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pipestone. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. 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. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

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

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .8893 mills, and the taxable value was $54,847,185.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than $800.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank 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 all investments authorized by state law as listed above.

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

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	323 465 13

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	100 011 06
Uninsured and Uncollateralized	260 812 29
Total Deposits	360 823 35

The Township did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Governmental Activities:				
Building	40 000 00	-	-	40 000 00
Equipment	14 993 76	-	(10 249 00)	4 744 76
Total	54 993 76	-	(10 249 00)	44 744 76
Accumulated Depreciation	(48 568 62)	(3 450 26)	10 249 00	(41 769 88)
Net Capital Assets	6 425 14	(3 450 26)	-	2 974 88

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of $20,561.00 and building permit expenses of $18,132.78.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	1 00	Current Tax Collection	1 00
Total	1 00	Total	1 00

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	50 810 00	50 810 00	48 753 85	(2 056 15)
State revenue sharing	160 000 00	160 000 00	159 646 51	(353 49)
Charges for services	8 500 00	8 500 00	16 800 00	8 300 00
Interest	50 00	50 00	10 349 55	10 299 55
Miscellaneous	5 140 00	5 140 00	7 348 33	2 208 33
Total revenues	224 500 00	224 500 00	242 898 24	18 398 24
Expenditures:				
Legislative:				
Township Board	2 720 00	2 465 00	2 465 00	-
General government:				
Supervisor	9 610 00	9 477 95	9 477 95	-
Elections	700 00	1 078 27	1 078 27	-
Clerk	13 360 00	13 468 09	13 468 09	-
Assessor	15 350 00	15 488 51	15 488 51	-
Board of Review	550 00	798 00	798 00	-
Treasurer	10 825 00	10 812 70	10 812 70	-
Cemetery	17 650 00	23 145 67	23 145 67	-
Township Hall	1 500 00	2 175 77	2 175 77	-
Financial administration	18 950 00	22 572 80	22 572 80	-
Public safety:				
Fire protection	103 650 00	98 549 75	98 549 75	-
Planning	13 390 00	8 655 22	7 004 50	(1 650 72)
Enforcement officer	1 000 00	2 874 32	2 874 32	-
Public works:				
Highways and streets	36 000 00	43 716 76	43 716 76	-
Drains at large	1 000 00	1 028 44	1 028 44	-
Culture and recreation:				
Library	720 00	630 00	630 00	-
Other functions:				
Community development	7 300 00	3 390 00	3 390 00	-
Total expenditures	254 275 00	260 327 25	258 676 53	(1 650 72)
Excess (deficiency) of revenues over expenditures	(29 775 00)	(35 827 25)	(15 778 29)	20 048 96
Fund balance, April 1	29 775 00	35 827 25	325 605 27	289 778 02
Fund Balance, March 31	-	-	309 826 98	309 826 98

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Licenses and permits	35 500 00	35 500 00	20 561 00	(14 939 00)
Total revenues	35 500 00	35 500 00	20 561 00	(14 939 00)
Expenditures:				
Public safety:				
Protective inspection	30 725 00	18 132 78	18 132 78	-
Total expenditures	30 725 00	18 132 78	18 132 78	-
Excess (deficiency) of revenues over expenditures	4 777 00	17 366 50	2 428 22	(14 939 00)
Fund balance, April 1	-	-	14 736 84	14 736 84
Fund Balance, March 31	4 777 00	17 366 50	17 165 06	(202 16)

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Wages	2 450 00
Miscellaneous	15 00
	2 465 00
Supervisor:	
Salary	9 440 00
Miscellaneous	37 95
	9 477 95
Elections:	
Wages	490 88
Supplies	587 39
	1 078 27
Clerk:	
Salary – Clerk	11 220 00
Salary – Deputy	1 100 00
Supplies	1 148 09
	13 468 09
Assessor:	
Salary	9 155 28
Deputy	4 577 64
Supplies	1 312 20
Miscellaneous	443 39
	15 488 51
Board of Review:	
Wages	798 00
Treasurer:	
Salary – Treasurer	9 070 00
Salary – Deputy	1 100 00
Miscellaneous	642 70
	10 812 70
Cemetery:	
Supervisor salary	1 600 00
Sexton wages	10 907 00
Repairs and maintenance	1 338 67
Opening/closing	9 300
	23 145 67
Township Hall	2 175 77
Financial administration:	
Audit	2 000 00
Insurance	4 291 80
Dues	1 229 60
Legal	2 949 48
Supplies	165 27
Printing and publishing	2 110 88
Payroll taxes	3 162 28
Miscellaneous	1 364 81
Computer service	5 298 68
	22 572 80

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Fire protection:	
Fire board wages	930 00
Contracted services	97 619 75
	98 549 75
Enforcement officer	2 874 32
Planning:	
Commission wages	360 00
Contracted services	6 644 50
	7 004 50
Highways and streets	43 716 76
Drains at large	1 028 44
Library:	
Board wages	630 00
Community development	3 390 00
Total Expenditures	258 676 53

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Assets				
Cash in Bank	1 00	893 345 35	893 345 35	1 00
Liabilities				
Due to other funds	1 00	45 238 44	45 238 44	1 00
Due to others	-	848 106 91	848 106 91	-
Total Liabilities	1 00	893 345 35	893 345 35	1 00

TOWNSHIP OF PIPESTONE
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash in bank – beginning of year	1 00
Cash receipts:	
Property tax	893 190 35
Animal licenses	155 00
Total cash receipts	893 345 35
Total beginning balance and cash receipts	893 346 35
Cash disbursements:	
Township General Fund	45 238 44
Berrien County	220 666 79
Berrien Intermediate School District	119 975 96
Lake Michigan Community College	91 853 74
Eau Claire Schools	373 887 92
Dowagiac Schools	2 451 54
Eau Claire District Library	35 221 76
State of Michigan	2 916 39
Refunds	1 132 81
Total cash disbursements	893 345 35
Cash in Bank – End of Year	1 00

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 7, 2006

To the Township Board
Township of Pipestone
Berrien County, Michigan

We have audited the financial statements of the Township of Pipestone for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Pipestone in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Pipestone
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants