VILLAGE OF TEKONSHA
Calhoun County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended February 28, 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	Village of Tekonsha	Calhoun

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
February 28, 2006	May 2, 2006	July 14, 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.			

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 2, 2006

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha for the year ended February 28, 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 Village of Tekonsha 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 Village Council
Village of Tekonsha
Calhoun 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 Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 28, 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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 2, 2006

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Tekonsha, Calhoun County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Tekonsha'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, business type activities and each major fund of the Village of Tekonsha, Calhoun County, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2006, on our consideration of the Village of Tekonsha's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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 Village'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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 28, 2006

The Management's Discussion and Analysis report of the Village of Tekonsha covers the Village's financial performance during the year ended February 28, 2006.

FINANCIAL HIGHLIGHTS

Our financial status has improved over the last year. Net assets at February 28, 2006, totaled $472,058.02 for governmental activities and $2,796,494.44 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were $442,907.69 from governmental activities and $280,996.20 from business-type activities. Governmental activities had a $43,970.71 increase in net assets and business-type activities had a $68,524.45 decrease in net assets.

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 Village 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 and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village 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 Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village'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.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, Local and Major Street Funds, Fire Fund, Building Fund, Industrial Park Fund, and Water and Sewer Funds.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council 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 Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund 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 Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Building Fund, Major and Local Street Funds, Fire Fund and the Industrial Park Fund.

Business Type Funds: The Village has Water and Sewer Funds, which include the activity of providing water and wastewater removal service to the Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

We continue to repay our USDA loan principal at $24,000.00 per year, paid bi-annually. Our original 40 year loan was taken out in 1999 at $2,110,000.00 and we have paid $132,000.00 towards the principal. We did not do any sewer or water rate increases this year.

We continue to pay our MEDC loan, which has been reduced from $393,000.00 to $134,258.76. This was accomplished by applying the job credit that resulted from the creation of 28 new jobs and having our prior interest paid applied to the loan balance. No further interest will be applied to this loan, our payments are now applied solely to the principal.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund pays for most of the Village's governmental services and incurred expenses of $227,746.66. Major and Local Streets incurred expenses of $80,142.89. The Water and Sewer Funds incurred $138,163.73 in depreciation expense and $211,356.92 in other expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested $0 in capital assets.

The Village's business-type activities invested $0 in capital assets.

The Village's governmental activities paid $22,834.49 of principal on long-term debt.

The Village's business-type activities paid $24,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We currently have several streets in need of repair. Money has been set aside to repair the streets. There is a plan to completely rebuild a Major Street in 2006. The Water Fund has sufficient net assets, but expenditures are projected to exceed revenues in the next fiscal budget year. At some point, the Village may need to take action on this condition.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or the Village Treasurer at 517-767-4204.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 28, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Petty cash	50 00	-	50 00
Cash in bank	142 390 07	159 557 97	301 948 04
Accounts receivable	28 433 60	40 308 27	68 741 87
Taxes receivable	31 199 18	-	31 199 18
Due from State of Michigan	26 089 79	-	26 089 79
Cash in bank – restricted	-	130 160 66	130 160 66
Total Current Assets	228 162 64	330 026 90	558 189 54
NONCURRENT ASSETS:			
Capital Assets	607 551 60	6 128 282 87	6 735 834 47
Less: Accumulated Depreciation	(134 345 84)	(1 683 097 39)	(1 817 443 23)
Total Noncurrent Assets	473 205 76	4 445 185 48	4 918 391 24
TOTAL ASSETS	701 368 40	4 775 212 38	5 476 580 78
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	6 553 87	2 922 92	9 476 79
Internal balances	2 204 98	(2 204 98)	-
Total Current Liabilities	8 758 85	717 94	9 476 79
NONCURRENT LIABILITIES:			
Notes payable	220 551 53	-	220 551 53
Bonds payable	-	1 978 000 00	1 978 000 00
Total Noncurrent Liabilities	220 551 53	1 978 000 00	2 198 551 53
Total Liabilities	229 310 38	1 978 717 94	2 208 028 32
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	252 654 23	2 467 185 48	2 719 839 71
Restricted for debt service	-	130 160 66	130 160 66
Unrestricted	219 403 79	199 148 30	418 552 09
Total Net Assets	472 058 02	2 796 494 44	3 268 552 46
TOTAL LIABILITIES AND NET ASSETS	701 368 40	4 775 212 38	5 476 580 78

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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended February 28, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	17 978 96	-	(17 978 96)
General government	71 252 63	2 105 36	(69 147 27)
Public safety	148 313 59	90 699 85	(57 613 74)
Public works	145 515 57	139 62	(145 375 95)
Recreation and culture	9 740 17	-	(9 740 17)
Interest on long-term debt	6 136 06	-	(6 136 06)
Total Governmental Activities	398 936 98	92 944 83	(305 992 15)
Business Type Activities:			
Water and sewer	349 520 65	279 448 82	-
Total Business Type Activities	349 520 65	279 448 82	-
Total Government	748 457 63	372 393 65	(305 992 15)
General Revenues:			
Property taxes			176 076 15
State revenue sharing			152 724 96
Interest			1 345 92
Miscellaneous			19 815 83
Total General Revenues			349 962 86
Change in net assets			43 970 71
Net assets, beginning of year			428 087 31
Net Assets, End of Year			472 058 02

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

Business Type Activities Net (Expense) Revenue and Changes in Net Assets	Total Net (Expense) Revenue and Changes in Net Assets
-	(17 978 96)
-	(69 147 27)
-	(57 613 74)
-	(145 375 95)
-	(9 740 17)
-	(6 136 06)
-	(305 992 15)
(70 071 83)	(70 071 83)
(70 071 83)	(70 071 83)
(70 071 83)	(376 063 98)
-	176 076 15
-	152 724 96
1 547 38	2 893 30
-	19 815 83
1 547 38	351 510 24
(68 524 45)	(24 553 74)
2 865 018 89	3 293 106 20
2 796 494 44	3 268 552 46

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
February 28, 2006

	General	Major Street	Local Street	Fire
Assets				
Petty cash	50 00	-	-	-
Cash in bank	8 883 44	66 396 97	21 031 79	44 549 36
Accounts receivable	-	-	-	27 650 00
Taxes receivable	31 199 18	-	-	-
Due from State of Michigan	11 498 00	11 315 46	3 276 33	-
Due from other funds	166 331 23	41 000 00	29 228 67	-
Total Assets	217 961 85	118 712 43	53 536 79	72 199 36
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	6 280 36	100 96	64 59	-
Due to other funds	128 577 45	37 355 75	32 136 16	24 680 05
Total liabilities	134 857 81	37 456 71	32 200 75	24 680 05
Fund balances:				
Fund balances:				
Unreserved:				
Undesignated	83 104 04	81 255 72	21 336 04	47 519 31
Total fund balances	83 104 04	81 255 72	21 336 04	47 519 31
Total Liabilities and Fund Balances	217 961 85	118 712 43	53 536 79	72 199 36

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

Other Funds	Total
-	50 00
-	140 861 56
783 60	28 433 60
-	31 199 18
-	26 089 79
1 971 45	238 531 35
2 755 05	465 165 48
-	6 445 91
2 562 50	225 311 91
2 562 50	231 757 82
192 55	233 407 66
192 55	233 407 66
2 755 05	465 165 48

VILLAGE OF TEKONSHA
Calhoun County, Michigan

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

February 28, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	233 407 66
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	607 551 60
Accumulated depreciation	(134 345 84)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(220 551 53)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	
Add net assets (liabilities) of governmental activities accounted for in the internal service fund net of capital assets and long-term debt which are included above	(14 003 87)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	472 058 02

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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended February 28, 2006

	General	Major Street	Local Street	Fire
Revenues:				
Property taxes	176 076 15	-	-	-
Licenses and permits	475 00	-	-	-
State revenue sharing	67 854 00	64 717 52	20 153 44	-
Charges for services	1 630 36	-	-	87 363 00
Special assessments	139 62	-	-	-
Interest	112 53	559 92	250 42	423 35
Miscellaneous	18 648 21	1 167 62	-	-
Total revenues	264 935 57	66 445 06	20 403 86	87 786 35
Expenditures:				
Legislative:				
Village Council	17 978 96	-	-	-
General government:				
Elections	104 00	-	-	-
Accounting	20 712 74	-	-	-
Clerk	11 987 32	-	-	-
Treasurer	2 999 80	-	-	-
Building and grounds	29 357 31	-	-	-
Public safety:				
Fire protection	24 669 60	-	-	77 551 93
Police protection	41 567 51	-	-	-
Ambulance	94 29	-	-	-
Planning and zoning	812 06	-	-	-
Public works:				
Public works	37 217 24	-	-	-
Sidewalks	73 20	-	-	-
Construction	-	-	686 58	-
Routine maintenance	-	29 323 34	19 344 46	-
Winter maintenance	-	22 781 63	6 615 71	-
Traffic services	-	830 57	560 60	-
Forestry	2 096 03	-	-	-
Mosquito control	83 05	-	-	-
Street lighting	17 065 15	-	-	-
Culture and recreation:				
Parks	9 740 17	-	-	-
Debt service	11 188 23	-	-	12 420 67
Total expenditures	227 746 66	52 935 54	27 207 35	89 972 60
Excess (deficiency) of revenues over expenditures	37 188 91	13 509 52	(6 803 49)	(2 186 25)

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

Other Funds	Total
-	176 076 15
-	475 00
-	152 724 96
3 336 85	92 330 21
-	139 62
-	1 345 92
-	19 815 83
3 336 85	442 907 69
-	17 978 96
-	104 00
-	20 712 74
-	11 987 32
-	2 999 80
-	29 357 31
-	102 221 53
-	41 567 51
-	94 29
3 618 20	4 430 26
-	37 217 24
-	73 20
-	686 58
-	48 667 80
-	29 397 34
-	1 391 17
-	2 096 03
-	83 05
-	17 065 15
-	9 740 17
-	23 608 90
3 680 20	401 480 35
(281 35)	41 427 34

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended February 28, 2006

	General	Major Street	Local Street	Fire
Other financing sources (uses):				
Operating transfers in	1 000 00	-	5 000 00	-
Operating transfers out	-	(6 000 00)	-	-
Total other financing sources (uses)	1 000 00	(6 000 00)	5 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	38 188 91	7 509 52	(1 803 49)	(2 186 25)
Fund balances, March 1	44 915 13	73 746 20	23 139 53	49 705 56
Fund Balances, February 28	83 104 04	81 255 72	21 336 04	47 519 31

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

Other Funds	Total
-	6 000 00
-	(6 000 00)
-	-
(281 35)	41 427 34
473 90	191 980 32
192 55	233 407 66

VILLAGE OF TEKONSHA
Calhoun County, Michigan

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

Year ended February 28, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	41 427 34
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	(22 662 46)
Capital Outlay	-
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	17 472 84
The internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	
Add: net operating income (loss) from governmental activities accounted for in the internal service fund.	7 732 99
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	43 970 71

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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
February 28, 2006

	Water	Sewer	Total Enterprise	Internal Service Equipment
Assets				
Cash in bank	93 264 45	66 293 52	159 557 97	1 528 51
Accounts receivable	11 449 71	28 858 56	40 308 27	-
Due from other funds	78 649 77	323 90	78 973 67	22 707 66
Cash in bank – restricted	-	130 160 66	130 160 66	-
Capital assets	3 119 367 02	3 008 915 85	6 128 282 87	148 486 22
Accumulated depreciation	(799 839 44)	(883 257 95)	(1 683 097 39)	(107 322 79)
Total Assets	2 502 891 51	2 351 294 54	4 854 186 05	65 399 60
Liabilities and Net Assets				
Liabilities:				
Accounts payable	2 472 24	450 68	2 922 92	107 96
Due to other funds	33 758 82	43 009 87	76 768 69	38 132 08
Note payable	-	-	-	5 541 05
Bonds payable	-	1 978 000 00	1 978 000 00	-
Total liabilities	36 231 06	2 021 460 55	2 057 691 61	43 781 09
Net assets:				
Invested in capital assets, net of related debt	2 319 527 58	147 657 90	2 467 185 48	35 622 38
Restricted	-	130 160 66	130 160 66	-
Unrestricted	147 132 87	52 015 43	199 148 30	(14 003 87)
Total net assets	2 466 660 45	329 833 99	2 796 494 44	21 618 51
Total Liabilities and Net Assets	2 502 891 51	2 351 294 54	4 854 186 05	65 399 60

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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

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

Year ended February 28, 2006

	Water	Sewer	Total Enterprise	Internal Service Equipment
Operating revenues:				
Charges for services	77 371 27	192 471 34	269 842 61	41 985 72
Miscellaneous	4 080 07	5 526 14	9 606 21	2 600 00
Total operating revenues	81 451 34	197 997 48	279 448 82	44 585 72
Less operating expenses:				
Wages	28 506 47	35 231 28	63 737 75	7 011 10
Benefits	4 199 84	4 386 13	8 585 97	406 95
Supplies	1 423 77	1 186 67	2 610 44	6 143 17
Professional services	1 678 00	14 811 30	16 489 30	456 00
Insurance	4 605 14	4 546 52	9 151 66	3 297 98
Utilities	5 757 00	17 203 28	22 960 28	7 068 28
Equipment rental	6 814 45	11 556 76	18 371 21	-
Repairs and maintenance	1 259 79	1 041 94	2 301 73	12 049 07
Miscellaneous	2 027 70	445 88	2 473 58	-
Total operating expenses before depreciation	56 272 16	90 409 76	146 681 92	36 423 55
Operating income (loss) before depreciation	25 179 18	107 587 72	132 766 90	8 162 17
Less: depreciation	(62 360 39)	(75 803 34)	(138 163 73)	(18 019 86)
Operating income (loss)	(37 181 21)	31 784 38	(5 396 83)	(9 857 69)
Other income and (expense):				
Interest income	545 98	1 001 40	1 547 38	6 40
Interest expense	-	(64 675 00)	(64 675 00)	(435 58)
Net other income and (expense)	545 98	(63 673 60)	(63 127 62)	(429 18)
Net income (loss)	(36 635 23)	(31 889 22)	(68 524 45)	(10 286 87)
Net assets, March 1	2 503 295 68	361 723 21	2 865 018 89	31 905 38
Net Assets, February 28	2 466 660 45	329 833 99	2 796 494 44	21 618 51

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

VILLAGE OF TEKONSHA
Calhoun County, Michigan

COMBINING STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS

Year ended February 28, 2006

	Water	Sewer	Total Enterprise	Internal Service Equipment
Cash flows from operating activities:				
Cash received from customers	75 952 57	185 361 71	261 314 28	41 856 57
Cash payments to suppliers for goods and services	(27 765 69)	(55 178 38)	(82 944 07)	(29 412 45)
Cash payments to employees for services	(28 506 47)	(35 231 38)	(63 737 85)	(7 011 10)
Other operating revenues	4 080 07	5 526 14	9 606 21	2 600 00
Net cash provided (used) for operating activities	23 760 48	100 478 09	124 238 57	8 033 02
Cash flows from non-capital and related financing activities:				
Net borrowings (repayments) With other funds	31 950 46	28 546 03	(60 496 49)	(2 417 72)
Net cash provided (used) for non-Capital and related financing Activities	31 950 46	28 546 03	(60 496 49)	(2 417 72)
Cash flows from capital and related financing activities:				
Payments of principal on long-term debt	-	(24 000 00)	(24 000 00)	(5 361 65)
Payments of interest on long-term debt	-	(64 675 00)	(64 675 00)	(435 58)
Net cash provided (used) for capital and related financing activities	-	(88 675 00)	(88 675 00)	(5 797 23)
Cash flows from investing activities:				
Interest income	545 98	1 001 40	1 547 38	6 40
Net cash provided (used) for investing activities	545 98	1 001 40	1 547 38	6 40
Net increase (decrease) in cash and cash equivalents	56 256 92	(41 350 52)	(97 607 44)	(175 53)
Cash and cash equivalents, March 1	37 007 53	155 103 66	192 111 19	1 704 04
Cash and Cash Equivalents, February 28	93 264 45	196 454 18	289 718 63	1 528 51
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(37 181 21)	31 784 38	(5 396 83)	(9 857 69)
Depreciation	62 360 39	75 803 34	138 163 73	18 019 86
Increase (decrease) in assets and liabilities:				
Accounts receivable	(1 862 60)	(7 200 24)	(9 062 84)	-
Accounts payable	443 90	90 61	534 51	(129 15)
Net Cash Provided (Used) for Operating Activities	(23 760 48)	100 478 09	124 238 57	8 033 02

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

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

The reporting entity is the Village of Tekonsha. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village 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.

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 and business type 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)

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 Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Village. 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 July 1 of the following year. These taxes are due on August 31. The Village 2005 tax roll millage rate was 11.000 mills, and the taxable value was $13,105,956.00.

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 Village as assets with an initial cost of more than $500.00 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:

Buildings, additions and improvements	40 years
Furniture and equipment	5-7 years

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village 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 Village Council 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 Village Council.

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 Village Council.

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.

Note 2 – Budgets and Budgetary Accounting (continued)

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

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village 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 Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village'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	432 108 70

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

	Bank Balances
Insured (FDIC)	212 990 18
Uninsured and Uncollateralized	227 636 05
Total Deposits	440 626 23

The Village of Tekonsha did not have any investments as of February 28, 2006.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Local Street	29 228 67	General	9 969 64
		Major Street	19 259 03
	29 228 67		29 228 67
Major Street	41 000 00	General	41 000 00
General	166 331 23	Building	2 562 50
		Fire	24 680 05
		Major Street	13 528 42
		Sewer	37 978 56
		Local Street	16 620 46
		Water	32 829 16
		Equipment	38 132 08
	166 331 23		166 331 23
Building	1 971 45	General	1 971 45
Equipment	22 707 66	Major Street	4 568 30
		Local Street	15 191 80
		Sewer	2 017 90
		Water	929 66
	22 707 66		22 707 66
Water	78 649 77	Industrial Park	75 636 36
		Sewer	3 013 41
	78 649 77		78 649 77
Sewer	323 90	Local Street	323 90
Total	340 212 68	Total	340 212 68

Note 5 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	Balance 3/1/05	Additions	Deletions	Balance 2/28/06
Governmental Activities:				
Land	287 918 24	-	-	287 918 24
Buildings	180 000 00	-	-	180 000 00
Equipment	139 633 36	-	-	139 633 36
Total	607 551 60	-	-	607 551 60
Accumulated Depreciation	(111 683 38)	(22 662 46)	-	(134 345 84)
Net Governmental Capital Assets	495 868 22	(22 662 46)	-	473 205 76
Business Type Activities:				
Water and Sewer Systems	6 128 282 87	-	-	6 128 282 87
Accumulated Depreciation	(1 544 933 66)	(138 163 73)	-	(1 683 097 39)
Net Business Type Capital Assets	4 583 349 21	(138 163 73)	-	4 445 185 48

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 3/1/05	Additions	Deductions	Balance 2/28/06
Note payable – 2003 pickup truck	10 902 70	-	5 361 65	5 541 05
Note payable – fire truck	87 036 33	-	6 284 61	80 751 72
Note payable – industrial park	145 446 99	-	11 188 23	134 258 76
Sewer bonds payable	2 002 000 00	-	24 000 00	1 978 000 00
Total	2 245 386 02	-	46 834 49	2 198 551 53

Note 7 – Note Payable – 2003 Pickup Truck

On February 26, 2003, the Village entered into a financing agreement to fund the purchase of a 2003 Ford pickup truck. The agreement requires payments including interest at the rate of 4.54% per annum. As of February 28, 2006, the principal balance outstanding was $5,541.05 and it is recorded in the Equipment Fund.

Note 8 – Note Payable – Fire Truck

On August 5, 1999, the Village entered into a financing agreement to fund the purchase of a 1999 Chevrolet fire truck. The agreement requires fifteen annual payments in the amount of $12,420.67, including interest at the rate of 7.05% per annum. The Township of Tekonsha has agreed to pay fifty percent of each payment. As of February 28, 2006, the principal balance outstanding was $80,751.72.

Note 9 – Note Payable – Industrial Park

On May 9, 2000, the Village obtained a $393,000.00 loan from the Michigan Economic Development Corporation to partially fund the construction of an industrial park. The agreement requires quarterly payments of principal only in the amount of $3,729.41 beginning May 1, 2003. The Village earned credits of $10,000.00 for each qualifying net new job created and added to the existing job base. As of February 28, 2006, the principal balance outstanding was $134,258.76.

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds

On October 26, 1999, the Village issued $2,110,000.00 of 1999 Sanitary Sewerage System Revenue Bonds. The bonds were purchased by the United States Department of Agriculture. The bond proceeds were used to partially pay for improvements to the Village's wastewater treatment lagoons. The bonds bear interest at the rate of 3.25% per annum. The bond principal and interest are to be repaid from the revenues of the Sewer Fund. The Village is required to maintain a Bond and Interest Redemption Account with amounts sufficient to make the required principal and interest payments. The Village is also required to maintain a Bond Reserve Account with $2,875.00 per fiscal quarter, until $115,000.00 is accumulated. The bond proceeds are recorded as a liability in the Sewer Fund. The principal balance outstanding as of February 28, 2006, was $1,978,000.00.

Due Date	Principal Amount
5/1/06	26 000 00
5/1/07	27 000 00
5/1/08	28 000 00
5/1/09	29 000 00
5/1/10	31 000 00
5/1/11	32 000 00
5/1/12	33 000 00
5/1/13	35 000 00
5/1/14	36 000 00
5/1/15	38 000 00
5/1/16	40 000 00
5/1/17	42 000 00
5/1/18	43 000 00
5/1/19	46 000 00
5/1/20	47 000 00
5/1/21	50 000 00
5/1/22	52 000 00
5/1/23	54 000 00
5/1/24	57 000 00

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds (continued)

Due Date	Principal Amount
5/1/25	59 000 00
5/1/26	62 000 00
5/1/27	65 000 00
5/1/28	67 000 00
5/1/29	71 000 00
5/1/30	74 000 00
5/1/31	77 000 00
5/1/32	81 000 00
5/1/33	84 000 00
5/1/34	88 000 00
5/1/35	92 000 00
5/1/36	96 000 00
5/1/37	101 000 00
5/1/38	105 000 00
5/1/39	110 000 00
Total	1 978 000 00

Note 11 – Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 12 – Pension Plan

The Village has a defined contribution pension plan which covers all full-time employees. Pension expense for the year ended February 28, 2006, was $3,510.00.

Note 13 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village 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 14 – Segment Information for Enterprise Funds

	Water Fund	Sewer Fund
Net fixed assets	2 319 527 58	2 125 357 90
Net assets	2 466 660 45	329 833 99
Operating revenues	81 451 34	197 997 48
Operating income (loss)	(37 181 21)	31 784 38

Note 14 – Segment Information for Enterprise Funds (continued)

	Water Fund	Sewer Fund
Net income (loss)	(36 635 23)	(31 889 22)
Total assets	2 502 891 51	2 351 294 54
Total liabilities	36 231 06	2 021 460 55

Note 15 – Transfers In and Transfers Out

For the fiscal year ended February 28, 2005, the Village made the following interfund transfers:

Fund	Transfers In	Fund	Transfers Out
General	1 000 00	Major Street	1 000 00
Local Street	5 000 00	Major Street	5 000 00
Total	6 000 00	Total	6 000 00

Note 16 – Building Permits

As of February 28, 2006, the Village had building permit revenues of $3,336.85 and building permit expenses of $3,618.20.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	155 670 00	155 670 00	176 076 15	20 406 15
Licenses and permits	40 00	40 00	475 00	435 00
State revenue sharing	69 000 00	69 000 00	67 854 00	(1 146 00)
Charges for services	1 550 00	1 550 00	1 630 36	80 36
Special assessments	5 000 00	5 000 00	139 62	(4 860 38)
Interest	50 00	50 00	112 23	62 23
Miscellaneous	12 000 00	12 000 00	18 648 21	6 648 21
Total revenues	243 310 00	243 310 00	264 935 57	21 625 57
Expenditures:				
Legislative:				
Village Council	11 070 00	18 070 00	17 978 96	(91 04)
General government:				
Elections	-	200 00	104 00	(96 00)
Accounting	11 150 00	20 750 00	20 712 74	(37 26)
Clerk	16 850 00	12 050 00	11 987 32	(62 68)
Treasurer	7 700 00	4 400 00	2 999 80	(1 400 20)
Building and grounds	42 330 00	30 030 00	29 357 31	(672 69)
Public safety:				
Fire protection	24 690 00	24 690 00	24 669 60	(20 40)
Police protection	38 000 00	43 400 00	41 567 51	(1 832 49)
Ambulance	3 000 00	100 00	94 29	(5 71)
Planning and zoning	1 100 00	1 100 00	812 06	(287 94)
Public works:				
Public works	32 475 00	37 375 00	37 217 24	(157 76)
Sidewalks	10 000 00	100 00	73 20	(26 80)
Forestry	5 600 00	2 600 00	2 096 03	(503 97)
Mosquito control	2 000 00	2 000 00	83 05	(1 916 95)
Street lighting	17 000 00	17 100 00	17 065 15	(34 85)
Culture and recreation:				
Parks	9 950 00	9 950 00	9 740 17	(209 83)
Debt service	-	12 000 00	11 188 23	(811 77)
Total expenditures	232 915 00	235 915 00	227 746 66	(8 168 34)
Excess (deficiency) of revenues over expenditures	10 395 00	7 395 00	37 188 91	29 793 91
Other financing sources (uses):				
Operating transfers in	1 000 00	1 000 00	1 000 00	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	1 000 00	1 000 00	1 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	11 395 00	8 395 00	38 188 91	29 793 91
Fund balance, March 1	3 105 00	6 105 00	44 915 13	38 810 13
Fund Balance, February 28	14 500 00	14 500 00	83 104 04	68 604 04

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	57 000 00	64 500 00	64 717 52	217 52
Interest	100 00	100 00	559 92	459 92
Miscellaneous	-	1 500 00	1 167 62	(332 38)
Total revenues	57 100 00	66 100 00	66 445 06	345 06
Expenditures:				
Public works:				
Routine maintenance	29 155 00	34 505 00	29 323 34	(5 181 66)
Winter maintenance	7 830 00	23 880 00	22 781 63	(1 098 37)
Traffic services	1 800 00	2 250 00	830 57	(1 419 43)
Total expenditures	38 785 00	60 635 00	52 935 54	(7 699 46)
Excess (deficiency) of revenues over expenditures	18 315 00	5 465 00	13 509 52	8 044 52
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(6 000 00)	(6 000 00)	(6 000 00)	-
Total other financing sources (uses)	(6 000 00)	(6 000 00)	(6 000 00)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	12 315 00	(535 00)	7 509 52	8 044 52
Fund balance, March 1	-	7 850 00	73 746 20	65 896 20
Fund Balance, February 28	12 315 00	7 315 00	81 255 72	73 940 72

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	23 800 00	20 100 00	20 153 44	53 44
Interest	50 00	50 00	250 42	200 42
Total revenues	23 850 00	20 150 00	20 403 86	253 86
Expenditures:				
Public works:				
Construction	-	1 000 00	686 58	(313 42)
Routine maintenance	19 025 00	20 925 00	19 344 46	(1 580 54)
Winter maintenance	6 600 00	7 000 00	6 615 71	(384 29)
Traffic services	1 000 00	575 00	560 60	(14 40)
Total expenditures	26 625 00	29 500 00	27 207 35	(2 292 65)
Excess (deficiency) of revenues over expenditures	(2 775 00)	(9 350 00)	(6 803 49)	2 546 51
Other financing sources (uses):				
Operating transfers in	5 000 00	5 000 00	5 000 00	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	5 000 00	5 000 00	5 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	2 225 00	(4 350 00)	(1 803 49)	2 546 51
Fund balance, March 1	-	6 575 00	23 139 53	16 564 53
Fund Balance, February 28	2 225 00	2 225 00	21 336 04	19 111 04

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	93 130 00	71 680 00	87 363 00	15 683 00
Interest	150 00	50 00	423 35	373 35
Total revenues	93 280 00	71 730 00	87 786 35	16 056 35
Expenditures:				
Public safety:				
Fire protection	77 600 00	79 280 00	77 551 93	(1 728 07)
Debt service	13 000 00	13 000 00	12 420 67	(579 33)
Total expenditures	90 600 00	92 280 00	89 972 60	(2 307 40)
Excess (deficiency) of revenues over expenditures	2 680 00	(20 550 00)	(2 186 25)	18 363 75
Fund balance, March 1	-	20 550 00	49 705 56	29 155 56
Fund Balance, February 28	2 680 00	-	47 519 31	47 519 31

VILLAGE OF TEKONSHA
Calhoun County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
February 28, 2006

	Major Street	Local Street	Fire	Building
Assets				
Cash in bank	66 396 97	21 031 79	44 549 36	-
Accounts receivable	-	-	27 650 00	783 60
Due from State of Michigan	11 315 46	3 276 33	-	-
Due from other funds	41 000 00	29 228 67	-	1 971 45
Total Assets	118 712 43	53 536 79	72 199 36	2 755 05
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	100 96	64 59	-	-
Due to other funds	37 355 75	32 136 16	24 680 05	2 562 50
Total liabilities	37 456 71	32 200 75	24 680 05	2 562 50
Fund balances:				
Fund balances:				
Unreserved:				
Undesignated	81 255 72	21 336 04	47 519 31	192 55
Total fund balances	81 255 72	21 336 04	47 519 31	192 55
Total Liabilities and Fund Balances	118 712 43	53 536 79	72 199 36	2 755 05

Total
131 978 12
28 433 60
14 591 79
72 200 12
247 203 63

165 55
96 734 46
96 900 01

150 303 62
150 303 62
247 203 63

VILLAGE OF TEKONSHA
Calhoun County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended February 28, 2006

	Major Street	Local Street	Fire	Building
Revenues:				
State revenue sharing	64 717 52	20 153 44	-	-
Charges for services	-	-	87 363 00	3 336 85
Interest	559 92	250 42	423 35	-
Miscellaneous	1 167 62	-	-	-
Total revenues	66 445 06	20 403 86	87 786 35	3 336 85
Expenditures:				
Legislative:				
Village Council	-	-	-	-
General government:				
Elections	-	-	-	-
Accounting	-	-	-	-
Clerk	-	-	-	-
Treasurer	-	-	-	-
Building and grounds	-	-	-	-
Public safety:				
Fire protection	-	-	77 551 93	-
Police protection	-	-	-	-
Ambulance	-	-	-	-
Planning and zoning	-	-	-	3 618 20
Public works:				
Public works	-	-	-	-
Construction	-	686 58	-	-
Routine maintenance	29 323 34	19 344 46	-	-
Winter maintenance	22 781 63	6 615 71	-	-
Traffic services	830 57	560 60	-	-
Forestry				
Mosquito control	-	-	-	-
Street lighting	-	-	-	-
Culture and recreation:				
Parks	-	-	-	-
Capital outlay				
Debt service	-	-	12 420 67	-
Total expenditures	52 935 54	27 207 35	89 972 60	3 618 20
Excess (deficiency) of revenues over expenditures	13 509 54	(6 803 49)	(2 186 25)	(281 35)
Other financing sources (uses):				
Operating transfers in	-	5 000 00	-	-
Operating transfers out	(6 000 00)	-	-	-
Total other financing sources (uses)	(6 000 00)	5 000 00	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	7 509 52	(1 803 49)	(2 186 25)	(281 35)
Fund balances, March 1	73 746 20	23 139 53	49 705 56	473 90
Fund Balances, February 28	81 255 72	21 336 04	47 519 31	192 55

Total
84 870 96
90 699 85
1 233 69
1 167 62
177 972 12
-
-
-
-
-
-
77 551 93
-
-
3 618 20
-
686 58
48 667 80
29 397 34
1 391 17
-
-
-
12 420 67
173 733 69
4 238 43
5 000 00
(6 000 00)
(1 000 00)
3 238 43
147 065 19
150 303 62

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 2, 2006

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha, Calhoun County, Michigan, as of and for the year ended February 28, 2006, and have issued our report thereon dated May 2, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Tekonsha's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Tekonsha's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Village there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants