Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Fillmore Township	Allegan

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2006	August 14, 2006	9-28-06

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Kiekover, Scholma & Shumaker, PC	616-772-4615		
Street Address	**City**	**State**	**Zip**
205 East Main Street	Zeeland	MI	49464
Authorizing CPA Signature	**Printed Name**	**License Number**	
Joseph Kuiper	Joseph Kuiper	A256574	

FILLMORE TOWNSHIP

ALLEGAN COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2006

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

Fillmore Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2006

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Kiekover, Scholma & Shumaker, PC
Certified Public Accountants and Consultants

Calvin Scholma
Kenneth Scholma
Michael Brandsen
Emil Sabolish, Jr.
David Nienhuis

INDEPENDENT AUDITOR'S REPORT

August 14, 2006

Township Board
Fillmore Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore Township, 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 Fillmore Township, Michigan'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fillmore Township, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, 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, as identified 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 supplementary information. However, we did not audit the information and express no opinion on it.

The information listed in the foregoing table of contents under the caption "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" was not examined by us and, accordingly, we express no opinion on it.

Kiekover, Scholma & Shumaker, PC

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Management's Discussion and Analysis

As management of Fillmore Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Fillmore Township exceeded its liabilities at the close of the most recent fiscal year by $2,459,555 (*net assets*). Of this amount, $1,780,815 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by $1,228,166. This is reflected in a net decrease in capital assets, net of related debt of $131,859, an increase in restricted net assets of $166,041, and an increase in unrestricted net assets of $1,193,984.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of $654,785, an increase of $70,937 in comparison with the prior year. Approximately 72% of this total amount, $472,435, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was $472,435 or 75% of total general fund expenditures and transfers out.
- The Township's total debt increased by $3,585,462 (5,500%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of $4,538 and issuing new debt for $3,590,000 (Allegan County Water and Sewage Disposal System bonds) during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activity of the Township consists of water distribution.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, M-40 Sewer Debt Fund, and Utilities Expansion Fund, which are reported as major funds, and for the Cemetery Trust Fund, which is considered to be a nonmajor fund.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its water distribution system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Utilities Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Township accounts for one type of fiduciary funds, agency funds. One agency fund is maintained to account for tax collections.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-19 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparison for the Township's General Fund, found on pages 20 and 21 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Fillmore Township, assets exceeded liabilities by $2,459,555 at the close of the most recent fiscal year.

A large portion of the Township's net assets (18%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (9.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($1,780,815) may be used to meet the Township's ongoing obligations to citizens and creditors.

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

The following table shows, in a condensed format, the net assets of Fillmore Township as of March 31, 2006 and 2005.

TABLE 1 - Fillmore Township's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 777,768	$ 725,031	$3,132,190	$ -	$3,909,958	$ 725,031
Capital assets	627,610	642,636	1,418,221	-	2,045,831	642,636
Total assets	1,405,378	1,367,667	4,550,411	-	5,955,789	1,367,667
Long-term debt outstanding	60,500	65,038	3,650,500	-	3,711,000	65,038
Other liabilities	58,215	15,240	82,211	-	140,426	15,240
Total liabilities	118,715	80,278	3,732,711	-	3,851,426	80,278
Net assets:						
Invested in capital assets, net of related debt	567,110	577,598	(121,371)	-	445,739	577,598
Restricted	233,001	66,960	-	-	233,001	66,960
Unrestricted	486,552	586,831	1,294,263	-	1,780,815	586,831
Total net assets	$1,286,663	$1,231,389	$1,172,892	$ -	$2,459,555	$1,231,389

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were approximately $1,685,733 for the current year, of which 29.3% was obtained from property taxes. Charges for services accounted for another 5.7% of the total, State shared revenues 11.6%, operating grants and contributions 1.7%, and capital grants and contributions 49.4%. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended March 31, 2006 was approximately $458,000. Township expenses cover a wide range of services. For the current fiscal year, about 32.0% of the Township's expenses related to general government services, 48.0% related to public safety, 10.7% related to public works, 2.0% related to community and economic development, and 6.6% related to the provision of water services.

Net assets increased by $301,188 for the Township's governmental activities.

The following analysis highlights the changes in net assets for the years ended March 31, 2006 and 2005.

TABLE 2 - Fillmore Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
Program revenues						
Charges for services	$ 95,432	$ 81,427	$ -	$ -	$ 95,432	$ 81,427
Operating grants and contributions	28,840	25,965	-	-	28,840	25,965
Capital grants and contributions	-	-	832,232	-	832,232	-
General revenues				-		
Property taxes	450,792	415,009	45,291	-	496,083	415,009
State shared revenues	194,935	197,111	-	-	194,935	197,111
Interest	18,969	13,497	6,766	-	25,735	13,497
Other	12,476	21,127	-	-	12,476	21,127
Total revenues	801,444	754,136	884,289	-	1,685,733	754,136
Program expenses						
General government	146,452	194,647	-	-	146,452	194,647
Public safety	219,672	210,084	-	-	219,672	210,084
Public works	48,975	26,048	-	-	48,975	26,048
Community and economic development	9,216	19,022	-	-	9,216	19,022
Interest on long-term debt	2,932	3,147	-	-	2,932	3,147
Water distribution	-	-	30,320	-	30,320	-
Total expenses	427,247	452,948	30,320	-	457,567	452,948
Change before transfers	374,197	301,188	853,969	-	1,228,166	301,188
Transfers	(318,923)	-	318,923	-	-	-
Change in Net Assets	$ 55,274	$ 301,188	$ 1,172,892	$ -	$ 1,228,166	$ 301,188

Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major governmental funds for fiscal year 2006 consist of the General Fund, M-40 Sewer Debt Fund, and Utilities Expansion Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2006 increased by $48,585 or 6.5%, to $798,973. Property tax revenues increased by $38,119 or 8.5%. State shared revenues decreased by $2,380 or 1.2%. All other General Fund revenue sources increased by $12,846.

General Fund expenditures and other financing uses decreased in fiscal 2006 by $226,288 or 26.3%, to $633,806. The most significant changes occurred in the categories of General Government and Public Works, resulting from lower costs for legal fees and lower road improvement expenditures during fiscal 2006.

The March 31, 2006 fund balance of the general fund is $639,093, of which $89,344 (14.0%) is reserved for fire protection, $50,520 (7.9%) is reserved for highway and street projects, $26,794 (4.2%) is reserved for construction code activities, and $472,435 (73.9%) is unreserved. This is an increase of $165,167 from the prior year. The $472,435 unreserved fund balance is approximately 74.5% of fiscal 2006 expenditures and operating transfers to other funds which amounted to $633,806.

The M-40 Sewer Fund is used to account for payment of long-term debt issued in connection with the M-40 sewer expansion project. Total M-40 Sewer Debt Fund revenues, consisting of interest income and special assessments, decreased by $20, or 0.3%, to $7,642. During the year the M-40 Sewer Fund had $7,470 in expenditures (all of which were for debt service), compared to $6,172 in the prior year. The March 31, 2006 fund balance of the Sewer Connection Fund is $14,247 (all of which is reserved for debt service), an increase of $172 from the prior year.

The Utilities Expansion Fund is used to account for funds set aside for expansion of utility systems within the township. All of the March 31, 2005 fund balance, totaling $94,406, was transferred to the Utilities Fund (a proprietary fund) during fiscal year 2006. The March 31, 2006 fund balance of the Utilities Expansion Fund was $0.

Proprietary Funds – The Township's proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities), but in more detail. The Township's proprietary fund is the Utilities Fund (accounts for the Township's water distribution system).

Utilities Fund revenues for fiscal year 2006 consisted of non-operating revenues, which were comprised of $45,291 in property taxes and $6,766 in interest income. The water distribution system was still in the construction phase at March 31, 2006, and accordingly, no operating revenues were received in fiscal year 2006 as the water system was not yet providing water supply to Township residents. Capital contributions during fiscal year 2006 totaled $1,002,040, and consisted of contributions of capital assets of $169,808 and special assessments of $832,232. Transfers in from other funds totaled $149,115.

During fiscal year 2006, the Township issued bonds in the par amount of $3,590,000 to finance construction of an extension of a sanitary sewer and construction of a water distribution system. Outstanding debt relating to this issuance was $3,590,000 at March 31, 2006. The Township completed $1,248,413 of construction and acquired $35,186 of land relating to these projects during fiscal year 2006, and has $2,040,508 of remaining construction commitments relating to these projects as of March 31, 2006.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The Township exceeded budgeted amounts for township board expenditures by approximately $4,300, and was under budget for attorney expenses by approximately $21,700, highways, streets, and bridges expenditures by approximately $60,300, fire protection by approximately $9,800, inspections by approximately $9,600, and planning commission expenditures by approximately $9,700. The Township had also budgeted for miscellaneous other expenditures in an amount of $10,000. These factors resulted in total expenditures of $137,603 less than the final budgeted amount. The General Fund's fund balance increased by $165,567 compared to a budgeted increase of $7,100.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets as of March 31, 2006, amounted to $2,045,831 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township's investment in capital assets for the current fiscal year was an increase of $1,403,195 (218%).

Major capital asset events during the current fiscal year included the following:

- $35,186 expended for acquisition of land
- $1,383,035 expended for construction of water and sewer systems
- $189,170 expended for road improvements

Additional information on the Township's capital assets can be found in note 3C on pages 16 and 17 of this report.

Fillmore Township's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 16,000	$ 16,000	$ 35,186	$ -	$ 51,186	$ 16,000
Construction in progress	-	169,808	1,383,035	-	1,383,035	169,808
Buildings and improvements	116,314	120,325	-	-	116,314	120,325
Infrastructure	495,296	336,503	-	-	495,296	336,503
Total	$ 627,610	$ 642,636	$ 1,418,221	$ -	$ 2,045,831	$ 642,636

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of $3,650,500.

Fillmore Township's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Allegan County Sewage Disposal System Bonds	$ 60,500	$ 65,038	$ -	$ -	$ 60,500	65,038
Allegan County Water Supply and Sewage Disposal System Bonds	-	-	3,590,000	-	3,590,000	-
Total	$ 60,500	$ 65,038	$ 3,590,000	$ -	$ 3,650,500	$ 65,038

Total outstanding debt increased by $3,585,462 during the current year. This is the result of the Township making its required scheduled debt service payments of $4,538 and issuing new debt for $3,590,000 (Allegan County Water and Sewage Disposal System bonds) during the year.

Additional information on the Township's long-term debt can be found in Note 3E on pages 17 and 18 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for fiscal year ended March 31, 2006 calls for no significant change in the property tax rates.

The Township will continue construction on its water distribution system and extension of sanitary sewer in the coming year, and anticipates approximately $2,000,000 in construction costs during the fiscal year ended March 31, 2007.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township's office.

Basic
Financial Statements

Fillmore Township, Michigan
STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	$ 658,111	$ 2,563,281	$ 3,221,392
Receivables:			
Special assessments	50,651	707,472	758,123
Due from other governments	69,006	8,783	77,789
Capital assets	627,610	1,418,221	2,045,831
Total Assets	1,405,378	4,697,757	6,103,135
LIABILITIES			
Accounts payable	48,975	304	49,279
Accrued payroll	9,240	-	9,240
Accrued interest payable	-	81,907	81,907
Noncurrent liabilities:			
Due within one year	4,538	-	4,538
Deferred issuance costs/discount	-	(147,346)	(147,346)
Due in more than one year	55,962	3,590,000	3,645,962
Total Liabilities	118,715	3,524,865	3,643,580
NET ASSETS			
Invested in capital assets, net of related debt	567,110	(121,371)	445,739
Restricted for:			
Fire protection	89,344	-	89,344
Highway and street projects	50,520	-	50,520
Debt service	64,898	-	64,898
Perpetual care-nonexpendable	1,445	-	1,445
Construction code activities	26,794	-	26,794
Unrestricted	486,552	1,294,263	1,780,815
Total Net assets	$ 1,286,663	$ 1,172,892	$ 2,459,555

See Notes to Financial Statements

Fillmore Township, Michigan
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Function/Programs:							
Primary Government:							
Governmental Activities:							
General government	$ 146,452	$ 66,080	$ -	$ -	$ (80,372)	$ -	$ (80,372)
Public safety	219,672	29,244	28,840	-	(161,588)	-	(161,588)
Public works	48,975	-	-	-	(48,975)	-	(48,975)
Community and economic developmer	9,216	108	-	-	(9,108)	-	(9,108)
Interest on long-term debt	2,932	-	-	-	(2,932)	-	(2,932)
Total Governmental Activities	427,247	95,432	28,840	-	(302,975)	-	(302,975)
Business-type activities:							
Utilities expansion	30,320	-	-	832,232	-	801,912	801,912
Total Primary Government	$ 457,567	$ 95,432	$ 28,840	$ 832,232	(302,975)	801,912	498,937
		General revenues:					
		Property taxes			450,792	45,291	496,083
		State shared revenues			194,935	-	194,935
		Interest			18,969	6,766	25,735
		Other			12,476	-	12,476
		Transfers			(318,923)	318,923	-
		Total General Revenues			358,249	370,980	729,229
		Change in Net Assets			55,274	1,172,892	1,228,166
		Net Assets - Beginning			1,231,389	-	1,231,389
		Net Assets - Ending			$ 1,286,663	$ 1,172,892	$ 2,459,555

See notes to financial statements

Fillmore Township, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

	General Fund	M-40 Sewer Debt Fund	Utilities Expansion Fund	Nonmajor Permanent Fund: Cemetery Perpetual Care	Total Governmental Funds
ASSETS					
Cash and investments	$ 642,419	$ 14,247	$ -	$ 1,445	$ 658,111
Receivables:					
Special assessments	-	50,651	-	-	50,651
Due from other governments	54,889	-	-	-	54,889
Total Assets	$ 697,308	$ 64,898	$ -	$ 1,445	$ 763,651
LIABILITIES					
Accounts payable	$ 48,975	$ -	$ -	$ -	$ 48,975
Accrued payroll	9,240	-	-	-	9,240
Deferred revenue	-	50,651	-	-	50,651
Total Liabilities	58,215	50,651	-	-	108,866
FUND BALANCES					
Reserved:					
Fire protection	89,344	-	-	-	89,344
Highway and street projects	50,520	-	-	-	50,520
Debt service	-	14,247	-	-	14,247
Perpetual care-nonexpendable	-	-	-	1,445	1,445
Construction code activities	26,794	-	-	-	26,794
Unreserved-reported in:					
General Fund	472,435	-	-	-	472,435
Total Fund Balances	639,093	14,247	-	1,445	654,785
Total Liabilities and Fund Balances	$ 697,308	$ 64,898	$ -	$ 1,445	

Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
General capital assets	132,314
Infrastructure assets	495,296
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures, and are therefore not reported in the funds	14,117
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures, and are therefore deferred in the funds	50,651
Long term liabilities are not due and payable in the current period, and are therefore not reported in the funds	(60,500)
Net Assets of Governmental Activities	$ 1,286,663

See Notes to Financial Statements

Fillmore Township, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2006

	General Fund	M-40 Sewer Debt Fund	Utilities Expansion Fund	Nonmajor Permanent Fund Cemetery Perpetual Care	Total Governmental Funds
Revenues:					
Taxes	$ 485,191	$ -	$ -	$ -	$ 485,191
Licenses and permits	29,244	-	-	-	29,244
State grants	28,840	-	-	-	28,840
State shared revenues	195,889	-	-	-	195,889
Charges for services	30,951	-	-	-	30,951
Interest and rent	16,281	3,421	-	4	19,706
Other	12,577	4,221	-	-	16,798
Total Revenues	798,973	7,642	-	4	806,619
Expenditures:					
Current:					
General government	142,441	-	-	-	142,441
Public safety	219,672	-	-	-	219,672
Public works	207,768	-	-	-	207,768
Community and economic development	9,216	-	-	-	9,216
Debt service					
Principal	-	4,538	-	-	4,538
Interest	-	2,932	-	-	2,932
Total Expenditures	579,097	7,470	-	-	586,567
Excess of Revenues Over (Under) Expenditures	219,876	172	-	4	220,052
Other Financing Sources (Uses):					
Transfers out	(54,709)	-	(94,406)	-	(149,115)
Net Change in Fund Balances	165,167	172	(94,406)	4	70,937
Fund Balances - April 1	473,926	14,075	94,406	1,441	583,848
Fund Balances - March 31	$ 639,093	$ 14,247	$ -	$ 1,445	$ 654,785

See Notes to Financial Statements

Fillmore Township, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, 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	$ 70,937
Amounts reported for the governmental activities in the statement of activities are different because:	
Govenmental funds report capital outlays as expenditures; in the statement of activites these costs are allocated over their estimated useful lives as depreciation:	
Current year capital outlays capitalized - infrastructure capital assets	189,170
Current year depreciation expense on capitalized assets	(34,388)
Transfers of governmental capital assets are not reported in the funds, but these amounts are reported as transfers in the statement of activities.	(169,808)
Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources.	
State shared revenues	(954)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end.	(4,221)
Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,538
Change in net assets of governmental activities	$ 55,274

See Notes to Financial Statements

Fillmore Township, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2006

	Utilities Fund
ASSETS	
Current Assets:	
Cash	$ 2,563,281
Due from other governments	8,783
Total Current Assets	2,572,064
Noncurrent Assets:	
Assessments receivable	707,472
Capital assets	1,418,221
Total Noncurrent Assets	2,125,693
Total Assets	4,697,757
LIABILITIES	
Current Liabilities:	
Accounts payable	304
Accrued interest payable	81,907
Total Current Liabilities	82,211
Noncurrent Liabilities:	
Deferred issuance costs/discount	(147,346)
Long-term debt	3,590,000
Total Noncurrent Liabilities	3,442,654
Total Liabilities	3,524,865
NET ASSETS	
Invested in capital assets, net of related debt	(121,371)
Unrestricted	1,294,263
Total Net Assets	$ 1,172,892

See Notes to Financial Statements

Fillmore Township, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended March 31, 2006

	Utilities Expansion
Operating Expenses:	
General and administrative	$ 30,320
Operating Income (Loss)	(30,320)
Nonoperating Revenues (Expenses)	
Taxes	45,291
Interest income	6,766
Income Before Contributions and Transfers	21,737
Capital contributions	1,002,040
Transfers in	149,115
Change in Net Assets	1,172,892
Net Assets - April 1	-
Net Assets - March 31	$ 1,172,892

See Notes to Financial Statements

Fillmore Township
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended March 31, 2006

	Utilities Expansion
Cash Flows From (For) Operating Activities:	
Payments to suppliers	$ (30,016)
Cash Flows From Noncapital Financing Activities:	
Taxes	36,508
Transfers from/to other funds	149,115
Net Cash Provided By Noncapital Financing Activities	185,623
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	124,760
Acquisition and construction of capital assets	(1,203,741)
Issuance of debt	3,442,654
Net Cash Provided By Capital and Related Financing Activities	2,363,673
Cash Flows From Investing Activities:	
Interest received on cash deposits	44,001
Net Increase in Cash and Investments	2,563,281
Cash and Investments - April 1	-
Cash and Investments - March 31	$ 2,563,281
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	$ (30,320)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Accounts payable	304
Net Cash Provided (Used) By Operating Activities	$ (30,016)
Cash and investments:	
Cash	$ 2,563,281
Noncash capital financing activities:	
Contribution of capital assets	$ 169,808

See Notes to Financial Statements

Fillmore Township, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

	Agency Funds
ASSETS	
Cash and investments	$ 1,267
LIABILITIES	
Due to other governments	$ 1,267

See Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Fillmore Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The township has no blended component units.

Discretely Presented Component Unit. The township has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (Fillmore Township has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

M-40 Sewer Debt (Debt Service) Fund - This fund was established to account for payment of long-term debt issued in connection with the M-40 sewer expansion project.

Utilities Expansion (Capital Project) Fund - This fund was established to account for funds set aside for expansion of utility systems within the township.

The township reports the following major proprietary fund:

Utilities Fund - This fund is used to account for the operation and maintenance of a water distributions system, including wells, storage tanks, distribution mains and services, and related equipment and costs of construction. This water distribution system is currently not in operation as it is in the construction phase only. Construction costs are being defrayed by proceeds from issuance of bonds in the par amount of $3,500,000 (issued October 20, 2005).

Additionally, the township reports the following fund types:

Governmental Funds

Permanent Fund - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The township maintains separate cash accounts for each of its various funds.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, if any.

3. Inventories and Prepaid Items.

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year $44,672 of interest expense (net of $37,235 of interest earnings) was capitalized as part of the cost of assets under construction.

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

Assets	Years
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-10
Vehicles	5-25
Roads and sidewalks	15-25

5. Compensated Absences.

It is the township's policy to permit certain employees to accumulate earned but unused sick and vacation pay benefits. If material, all vacation and sick pay is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

6. Long-Term Obligations.

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

7. 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.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2005 ad valorem tax was levied and collectible on December 1, 2005, and recognized as revenue during the year ended March 31, 2006, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2005 taxable equivalency valuation of the township totaled $90,956,003, on which taxes levied consisted of 0.8075 mills for operating purposes, 2.6435 mills for road purposes, 1.9369 mills for fire and first response protection purposes, and .4985 mills for water and sewer purposes. This resulted in $73,359 for operating purposes, $240,174 for road purposes, $175,976 for fire and first response protection purposes, and $45,291 for water and sewer purposes.

The above amounts are recognized in the General Fund and Utilities Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund are included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

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

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	$ 658,111	$ 2,563,281	$ 3,221,392

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was $3,222,422 of which $200,000 was covered by federal depository insurance and $3,022,422 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major fund and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	M-40 Sewer Debt	Enterprise Utilities	Total
Receivables:				
Special assessments	$ -	$ 50,651	$ 707,472	$ 758,123
Intergovernmental	54,889	-	8,783	63,672
Gross receivables	54,889	50,651	716,255	821,795
Allowance for uncollectibles	-	-	-	-
Net Total Receivables	$ 54,889	$ 50,651	$ 716,255	$ 821,795

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	$ 50,651	$ -

C. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	$ 16,000	$ -	$ -	$ -	$ 16,000
Construction in progress	169,808	-	(169,808)	-	-
Subtotal	185,808	-	(169,808)	-	16,000
Capital Assets Being Depreciated					
Building and improvements	181,756	-	-	-	181,756
Machinery and equipment	4,500	-	-	-	4,500
Office furniture and equipment	20,579	-	-	-	20,579
Infrastructure	346,612	189,170	-	-	535,782
Subtotal	553,447	189,170	-	-	742,617
Less Accumulated Depreciation for					
Buildings and improvements	(61,431)	(4,011)	-	-	(65,442)
Machinery and equipment	(4,500)	-	-	-	(4,500)
Office furniture and equipment	(20,579)	-	-	-	(20,579)
Infrastructure	(10,109)	(30,377)	-	-	(40,486)
Subtotal	(96,619)	(34,388)	-	-	(131,007)
Net Capital Assets Being Depreciated	456,828	154,782	-	-	611,610
Governmental Activities Total Capital Assets - Net of Depreciation	$ 642,636	$ 154,782	$ (169,808)	$ -	$ 627,610

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

Governmental Activities	
General government	$ 4,011
Public works	30,377
Total Governmental Activities	$ 34,388

Business-Type Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	$ -	$ 35,186	$ -	$ -	$ 35,186
Construction in progress	-	1,383,035	-	-	1,383,035
Business-Type Activities Total Capital Assets - Net of Depreciation	$ -	$ 1,418,221	$ -	$ -	$ 1,418,221

There was no depreciation expense for the township's business-type activities for the year ended March 31, 2006, as all of the capital assets consisted of land and construction in progress (non-depreciable items).

Construction Commitments - The township has active construction projects at year-end. At year-end, the township's commitments are as follows:

	Spent to Date	Remaining Commitment
Water distribution system and sewer extension	$ 1,383,035	$ 2,050,408

D. Interfund Receivables, Payables and Transfers

There were no interfund balances as of March 31, 2006.

Interfund transfers reported in the funds statements were as follows:

	Transfers Out	
	General Fund	Utilities Expansion Fund
Transfers In:		
Utilities Fund	$ 54,709 (1)	$ 94,406 (2)

The following describes the nature of significant transfers:

(1) Transfer from General Fund for expenditures relating to the Water and Sewer Utilities expansion project

(2) Transfer from Utilities Expansion Fund to transfer remaining fund balance to new enterprise fund

E. Long-Term Debt

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

Bond and contractual obligation activity for the township can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General Obligation Bonds						
Allegan County Sewage Disposal System Bonds, interest rates from 4.2% to 4.8%, maturing 2018	$ 84,398	$ 65,038	$ -	$ (4,538)	$ 60,500	$ 4,538
Business-Type Activities						
General Obligation Limited Tax Bonds						
Allegan County Water Supply and Sewage Disposal System No. 8 Bonds, Series 2005A, interest rates from 3.5% to 4.0%, maturing 2025	$3,590,000	$ -	$3,590,000	$ -	$3,590,000	$ -

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

Year Ended	Governmental Activities		Business-Type Activities	
March 31,	Principal	Interest	Principal	Interest
2007	$ 4,538	$ 2,850	$ -	$ 163,815
2008	4,538	2,659	50,000	139,538
2009	4,538	2,467	75,000	137,350
2010	4,538	2,272	75,000	134,725
2011	4,538	2,074	100,000	131,663
2012-2016	25,710	7,249	650,000	595,405
2017-2021	12,100	1,298	1,025,000	430,500
2022-2026	-	-	1,615,000	170,500
Total	$ 60,500	$ 20,869	$ 3,590,000	$ 1,903,496

F. Restricted Assets

The township has no restricted assets at March 31, 2006.

NOTE 6. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following are joint ventures in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Laketown Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2006, costs were allocated 77.81% to Laketown Township and 22.19% to Fillmore Township. During the year ended March 31, 2006, the township contributed $73,410 to the Department. As of March 31, 2006, the department has net assets of $652,440 and long-term debt of $604,920. The Department did not experience a deficit. Separate financial statements of the joint venture may be obtained from either of the participating townships.

The township is a member of the Hamilton Area Fire Board (the Authority), which is joint venture of the townships of Fillmore, Manlius, and Heath. The township does not have an explicit, measurable equity interest in the Authority. The Administrative Board of the Authority consists of members appointed by each participating unit and three non-voting members from the Hamilton Fire Department. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating townships. During the year ended March 31, 2006, the township contributed $26,764 as its proportionate share of the Authority's budgeted costs. The Authority's fiscal year ends on December 31. As of December 31, 2005, the Authority had net assets of $86,394 and long-term debt of $262,641. The Authority did not experience a deficit for the year ended December 31, 2005. Separate financial statements for the Authority can be obtained from the Clerk of the Township of Heath.

NOTE 7. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The township has purchased full multi-peril insurance coverage underwritten by the Michigan Township Participating Plan. The township is fully insured for workers compensation claims by coverage underwritten by Accident Fund. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

B. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2006:

Fund balance, April 1, 2005	$	17,902
Charges for services		29,244
Building inspection expenditures		(20,352)
Fund balance, March 31, 2006	$	26,794

Required Supplementary Information

Fillmore Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues:				
Taxes	$ 494,709	$ 494,709	$ 485,191	$ (9,518)
Licenses and permits	30,000	30,000	29,244	(756)
State grants	25,000	25,000	28,840	3,840
State shared revenues	200,000	200,000	195,889	(4,111)
Charges for services	20,000	20,000	30,951	10,951
Interest	7,000	7,000	16,281	9,281
Other	1,800	1,800	12,577	10,777
Total Revenues	778,509	778,509	798,973	20,464
Expenditures:				
Current:				
General Government:				
Township board	35,000	35,000	39,287	(4,287)
Supervisor	25,000	25,000	24,054	946
Audit	9,000	12,000	13,100	(1,100)
Attorney	25,000	25,000	3,280	21,720
Clerk	14,000	14,000	15,252	(1,252)
Board of review	1,200	1,200	979	221
Treasurer	18,000	18,000	16,319	1,681
Assessor	15,000	15,000	13,440	1,560
Elections	10,000	10,000	1,675	8,325
Building and grounds	9,000	9,000	9,064	(64)
Cemetery	6,000	6,000	5,991	9
Total General Government	167,200	170,200	142,441	27,759
Public Safety:				
Police services	75,000	80,000	79,146	854
Fire protection	130,000	130,000	120,174	9,826
Inspections	30,000	30,000	20,352	9,648
Total Public Safety	235,000	240,000	219,672	20,328
Public Works:				
Drains	5,000	5,000	6,352	(1,352)
Highways, streets, and bridges	250,000	250,000	189,654	60,346
Street lights	4,500	4,500	5,945	(1,445)
Sanitation land fill	8,000	8,000	5,817	2,183
Total Public Works	267,500	267,500	207,768	59,732

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Community and Economic Development:				
Planning commission	18,000	18,000	8,320	9,680
Zoning board of appeals	500	500	896	(396)
Total Community and Economic Development	18,500	18,500	9,216	9,284
Insurance, Bonds, and Fringes:				
Other	9,000	10,500	-	10,500
Contingencies	10,000	10,000	-	10,000
Total Expenditures	707,200	716,700	579,097	137,603
Excess Of Revenues Over (Under) Expenditures	71,309	61,809	219,876	158,067
Other Financing Sources (Uses):				
Operating transfers out	(54,709)	(54,709)	(54,709)	-
Net Change in Fund Balances	16,600	7,100	165,167	158,067
Fund Balances - April 1	473,926	473,926	473,926	-
Fund Balances - March 31	$ 490,526	$ 481,026	$ 639,093	$ 158,067

Other Supplemental Data

SECURITIES AND EXCHANGE COMMISSION
RULE 15c2-12 CONTINUING DISCLOSURE

Fillmore Township
HISTORICAL STATE EQUALIZED VALUATION
AND COMPONENTS OF STATE EQUALIZED VALUE

Historical State Equalized Valuation

Year*	Total SEV
1995	$ 59,046,559
1996	65,467,050
1997	75,208,160
1998	80,852,288
1999	90,905,800
2000	89,291,300
2001	104,866,500
2002	114,406,900
2003	123,127,000
2004	121,636,000
2005	123,798,600

Components of State Equalized Value

	2005	2004	2003	2002	2001
Industrial	$ 2,148,400	$ 2,400,300	$ 2,801,300	$ 2,714,700	$ 2,490,600
Commercial	13,006,600	11,666,500	10,806,900	9,188,100	6,696,200
Agricultural	37,178,900	38,548,000	41,884,400	38,524,900	35,501,300
Residential	64,414,600	62,506,600	57,597,000	54,449,600	51,895,600
Developmental	2,157,500	2,252,900	4,534,400	4,203,700	3,123,700
Total Real Property	118,906,000	117,374,300	117,624,000	109,081,000	99,707,400
Total Personal Property	4,892,600	4,261,700	5,503,000	5,325,900	5,159,100
Total SEV	$ 123,798,600	$ 121,636,000	$ 123,127,000	$ 114,406,900	$ 104,866,500

Components of 2005 Taxable Value

Residential	$ 47,723,552
Agricultural	26,127,348
Commercial	9,955,633
Industrial	1,777,155
Developmental	536,938
Total Real Property	86,120,626
Total Personal Property	4,840,977
TOTAL TAXABLE VALUE	$ 90,961,603

* Taxes are levied December 1 and recognized as revenue in the fiscal year ending the following March 31.

Fillmore Township
MAJOR TAXPAYERS AND TAX RATES

Major Taxpayers

Taxpayer	2005 Taxable Value	Percentage of Total 2005 Taxable Value
Insignia Development of Michigan	$ 1,400,500	1.54%
Consumers Energy	1,365,154	1.50%
Wayne Schipper	1,259,378	1.38%
Mervenne Real Estate Holding	1,219,789	1.34%
Robert Dykhuis	1,114,750	1.23%
Robert Dykhuis	1,079,733	1.19%
Country Acres Partners, LLC	1,000,000	1.10%
Timmerman Farms, LLC	918,560	1.01%
Country Living Apartments, LLC	820,047	0.90%
Robert Geurink	799,160	0.88%

The above taxpayers represent 12.07% of the Township's total 2005 Taxable Value.

Tax Rates
(Per $1,000 of Taxable Value)

Fiscal Year Ended[1] (per $1,000 of Taxable Value)	2006	2005	2004	2003	2002
Fillmore Township					
Operating	0.8075	0.8099	0.8270	0.8270	0.8444
Roads	2.6435	2.6188	2.6737	2.6737	2.7297
Fire	1.9369	1.4249	1.4549	1.4549	1.4854
Water and sewer	0.4985	-	-	-	-
County of Allegan	5.6592	6.6275	6.7583	6.7583	6.7631
Hamilton / Zeeland School District[2]	8.0300	8.0400	8.0010	8.0074	8.0074
Ottawa Intermediate School District	4.2109	4.2192	4.2305	4.2854	4.2854
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000
Total	29.7865	29.7403	29.9454	30.0067	30.1154

[1]Taxes are levied December 1 of prior year.
[2]Fillmore Township is situated within the boundaries of two school districts (Hamilton and Zeeland). The rates shown are the highest any Fillmore resident would pay. This is the homestead rate. The non-homestead rate would be 18.0000 higher each year.

Fillmore Township
TAX COLLECTIONS

Year*	Tax Levy	Collections to March 1 Each Year	
		Amount	%
1996	$ 1,818,599	$ 1,741,863	95.78%
1997	2,143,025	2,056,848	95.98%
1998	2,139,767	2,096,799	97.99%
1999	2,656,368	2,546,958	95.88%
2000	2,379,677	2,266,521	95.24%
2001	2,488,083	2,372,974	95.37%
2002	2,646,532	2,508,838	94.80%
2003	2,716,121	2,582,497	95.08%
2004	2,941,879	2,838,921	96.50%
2005	3,107,710	2,993,787	96.33%

*Taxes are levied December 1 and recognized as revenue in the fiscal year ending the following March 31.

GENERAL FUND REVENUES AND EXPENDITURES
(Years Ended March 31)

	2006	2005	2004	2003	2002
Revenues	$ 798,973	$ 750,388	$ 705,881	$ 706,714	$ 708,204
Expenditures	579,097	780,094	810,800	688,695	723,847
Excess of Revenues Over (Under) Expenditures	219,876	(29,706)	(104,919)	18,019	(15,643)
Operating Transfers Out	(54,709)	(80,000)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	165,167	(109,706)	(104,919)	18,019	(15,643)
Fund Balance - April 1	473,926	557,749	662,668	644,649	660,292
Restatement Adjustment	-	25,883	-	-	-
Fund Balance - March 31	$ 639,093	$ 473,926	$ 557,749	$ 662,668	$ 644,649

Fillmore Township
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

Direct Bonded Indebtedness

M-40 Sewer Expansion	$	60,500
Allegan County Water Supply and Sewage Disposal System- Series 2005A		3,590,000
Total	$	3,650,500

Overlapping Bonded Indebtedness

Municipality	Total Debt	Fillmore Township's Share		
Hamilton School District	$ 34,780,000	15.06%	$	5,237,868
Zeeland School District	104,280,000	0.56%		583,968
Allegan County at Large	10,902,015	2.52%		274,731
Ottawa Area Intermediate School District	7,815,000	0.94%		73,461
Net Overlapping Debt			$	6,170,028
Net Direct and Overlapping Debt			$	9,820,528

Summary of Direct and Overlapping Debt

Population (2000 census)		2,756
2005 Actual Valuation (True Cash Value)	$	247,597,200
2005 SEV	$	123,798,600
2005 Taxable Value	$	90,961,603
Per Capita SEV	$	44,920
Net Direct Debt	$	3,650,500
Per Capita	$	1,325
Ratio to 2005 Taxable Value		4.01%
Ratio to 2005 SEV		2.95%
Ratio to 2005 True Cash Value		1.47%
Net Direct and Overlapping Debt	$	9,820,528
Per Capita	$	3,563
Ratio to 2005 Taxable Value		10.80%
Ratio to 2005 SEV		7.93%
Ratio to 2005 True Cash Value		3.97%

The Township has never defaulted on payment of its bonded indebtedness.

Fillmore Township
BONDED DEBT LIMIT AND INDEBTEDNESS OUTSTANDING

Bonded Debt Limit

There is no bonded debt limit for general law townships under the State Constitution and laws.

Indebtedness Outstanding for the Five Years

Year	Debt Outstanding on March 31
2002	$ 74,113
2003	71,088
2004	68,063
2005	65,038
2006	3,650,500

Kiekover, Scholma & Shumaker, PC
Certified Public Accountants and Consultants

Calvin Scholma
Kenneth Scholma
Michael Brandsen
Emil Sabolish, Jr.
David Nienhuis

August 14, 2006

Township Board
Fillmore Township

In planning and performing our audit of the financial statements of Fillmore Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted the following matter involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect Fillmore Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe the following is a reportable condition as defined above.

1. The Township currently does maintain a general ledger for each of its funds. We recommend the Township maintain a general ledger for each of its funds in accordance with the Uniform Chart of Accounts issued by the Department of Treasury, to ensure complete and accurate reporting of the Township's financial activities, and as an additional control over safeguarding of Township assets.

If you have any questions or would like to discuss any of the above in further detail, please contact us.

Sincerely,

Kiekover, Scholma & Shumaker, PC

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