

ROYALTON TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2007

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROYALTON TOWNSHIP	County BERRIEN
Fiscal Year End 3/31/07	Opinion Date 4/26/07	Date Audit Report Submitted to State 5/17/07	

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number 269-983-0534		
Street Address 830 PLEASANT STREET, P.O. BOX 44		City SAINT JOSEPH	State MI	Zip 49085
Authorizing CPA Signature <i>Robert L. Gerbel CPA</i>		Printed Name ROBERT L. GERBEL		License Number 3953

ROYALTON TOWNSHIP

FINANCIAL REPORT

March 31, 2007

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	I-VII
TOWNSHIP BOARD	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	3
Statement of Activities	4
Governmental Funds - Balance Sheet	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	9
Public Welfare Millage Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	10
Inspection Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	11
Proprietary Fund - Public Utility Fund - Statement of Net Assets	12
Proprietary Fund - Public Utility Fund - Statement of Revenues, Expenses, and Changes in Net Assets	13
Proprietary Fund - Public Utility Fund - Statement of Cash Flows.....	14
Fiduciary Fund - Current Tax Fund - Statement of Fiduciary Net Assets	15
Notes to Financial Statements	16-26

CONTENTS - Continued

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Trust and Agency Fund:	
Statement of Cash Receipts and Disbursements - Tax Collection Fund	27
Proprietary Fund – Public Utility Fund:	
Statement of Net Assets	28
Statement of Revenues, Expenses, and Changes in Net Assets	29
Statement of Cash Flows	30-31
Schedules of Indebtedness	32-36

ROYALTON TOWNSHIP

980 Miners Road
St. Joseph, Michigan 49085
(269) 429-2501 * Fax (269) 429-8373
email address: royaltontwp@sbcglobal.net

Steve Tilly, Supervisor
Rocky Genovese, Clerk
Michael Klug, Treasurer
Robert Basselman, Trustee
William Foust, Trustee

Management Discussion and Analysis

As management of the Royalton Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the Royalton Township for the fiscal year ended March 31, 2007. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

Financial Highlights

- The assets of Royalton Township exceeded its liabilities at the close of the most recent fiscal year by \$13,430,481. Of this amount, \$7,812,594 may be used to meet the ongoing obligations to our citizens and creditors.
- The Township's total net assets increased by \$328,914.
- At the close of the current fiscal year, Royalton Township's Governmental Funds reported combined ending fund balances of \$2,326,926 an increase of \$279,014 in comparison with the prior year. Approximately \$2,326,025 of this total is available for spending at the government's discretion.
- At the end of the current fiscal year, the general fund unreserved fund balance was \$1,119,026 or 186 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Royalton Township's basic financial statements. Royalton Township's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information

1. Government-Wide Financial Statements

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

- The Statement of Net Assets presents information on all of Royalton 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 Royalton 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 such as unused vacation leave.

Both of these Government-Wide Financial Statements distinguish Township functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of Royalton Township include general government, public safety, highways and streets, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of Royalton Township include water and sewer operations.

2. 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. Royalton 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 Royalton Township can be divided into three categories: governmental funds, proprietary fund, and fiduciary fund.

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 near-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, the reader may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

Royalton Township maintains three 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, the public welfare fund and the inspection fund.

Royalton Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Royalton Township uses an enterprise fund to account for its water and sewer operations.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support Royalton Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

3. 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.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Royalton Township, assets exceeded liabilities by \$13,430,481 at the close of the 2006-2007 fiscal year.

Royalton Township uses capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although Royalton 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.

**Royalton Township
Net Assets**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current and other assets	\$ 2,328,789	\$ 5,941,772	\$ 8,270,561	\$ 8,704,457
Capital assets	1,008,500	9,421,617	10,430,117	10,107,760
Total Assets	<u>\$ 3,337,289</u>	<u>\$ 15,363,389</u>	<u>\$ 18,700,678</u>	<u>\$ 18,812,217</u>
Long-term liabilities	\$ 200,000	\$ 4,920,000	\$ 5,120,000	\$ 5,565,000
Other liabilities	1,863	148,334	150,197	145,650
Total Liabilities	<u>\$ 201,863</u>	<u>\$ 5,068,334</u>	<u>\$ 5,270,197</u>	<u>\$ 5,710,650</u>
Invested in capital assets, net of related debt	\$ 1,008,500	\$ 4,526,617	\$ 5,535,117	\$ 4,567,760
Restricted	901	56,869	57,770	659,494
Unrestricted	2,126,025	5,711,569	7,837,594	7,874,313
Total Net Assets	<u>\$ 3,135,426</u>	<u>\$ 10,295,055</u>	<u>\$ 13,430,481</u>	<u>\$ 13,101,567</u>

A portion of Royalton Township's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,812,594) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Royalton Township
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Revenues				
Program Revenues				
Charges for services	\$ 338,269	\$ 809,518	\$ 1,147,787	\$ 1,260,658
Grants and contributions	268,883	-	268,883	912,484
General Revenues				
Property taxes	356,201	-	356,201	325,753
Interest earned	57,962	324,755	382,717	308,572
Insurance reimbursements	-	-	-	2,593
Gain (loss) on sale of assets	(12,378)	-	(12,378)	-
Total Revenues	\$ 1,008,937	\$ 1,134,273	\$ 2,143,210	\$ 2,810,060
Expenses				
Legislative	\$ 4,979	\$	\$ 4,979	\$ 6,610
General government	422,080		422,080	420,086
Public safety	356,129		356,129	352,129
Public works	188,935		188,935	39,811
Recreation and cultural	52,688		52,688	48,711
Interest on long-term debt	-		-	352
Public Utility Fund		789,485	789,485	817,099
Total Expenses	\$ 1,024,811	\$ 789,485	\$ 1,814,296	\$ 1,684,798
Change in Net Assets	\$ (15,874)	\$ 344,788	\$ 328,914	\$ 1,125,262
Net Assets Beginning of the Year	3,151,300	9,950,267	13,101,567	11,976,305
Net Assets End of the Year	\$ 3,135,426	\$ 10,295,055	\$ 13,430,481	\$ 13,101,567

Governmental Activities

Governmental Activities decreased the Royalton Township's net assets by \$15,874 resulting in a 5% decrease in the net assets of Royalton Township. Grants and contributions were \$268,883 or 27% of the total governmental revenues. Charges for services were \$338,269 or 34% of the total governmental revenues. The remaining 39% is composed of property taxes, interest income and gain (loss) on sale of assets. Public safety expenditures totaled \$356,129 or 35% of the governmental expenses. General government and recreation and cultural expenditures totaled 46% of the governmental expenses.

Business-Type Activities

Business-type Activities increased Royalton Township's net assets by \$344,788, accounting for 100% of the total growth in the net assets. Charges for services were \$809,518 or 71% of the total business-type revenues. The remaining 29% is composed interest income.

Financial Analysis of Royalton Township's Funds

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

Governmental Funds

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

As of the end of the current fiscal year Royalton Township's Governmental Funds reported combined ending fund balances of \$2,326,926, an increase of \$279,014 in comparison with the prior year. Approximately 99% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for future cemetery care.

The General Fund is the chief operating fund of Royalton Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,119,026. The general fund balance of Royalton Township has decreased by \$15,593 from the previous year.

Proprietary Funds

Royalton Township's proprietary fund provides the same type of information found in the Government-Wide Financial Statements, but in more detail.

Unrestricted net assets of the Public Utility Fund at the end of the year amounted to \$5,686,569. Water activity increased net assets by \$126,243; sewer activity increased net assets by \$218,545.

Capital Asset and Debt Administration

Royalton Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007 amounts to \$10,430,117 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and utility systems.

In 2006 Royalton Township completed what could be the last of the Township's water projects for the near future. This does not include the water tower project or any new development which is responsible for their own sewer and water.

During the year the Township and the Berrien County Road Commission completed rebuilding a section of Bacon School Road from Miners Road north to Louise Lane. This was paid from the General Fund. To fund future road repair needs, the Township residents voted to add a 1 mil tax levy for road repairs. Starting in 2008 the Township will be working with the Berrien County Road Commission to repair various roads in the Township.

In 2006 the Township also started an extensive program to upgrade the sewer system. This five year program was developed by the Township's engineer and approved by the Township Board. The Township has replaced two pumps in station two and a force main for station three. The Township has also upgraded several level controllers and installed some auto dialers that automatically call the maintenance department if there is a problem. These upgrades will be

done to all stations that need them as the program progresses. Another part of the program is installation of a new main lift station to be located on Hollywood Road. This station will pump the entire Township's sanitary down Hollywood Road to M-63 then west on M-63 to the main lift station for the Lake Michigan Shoreline Water & Sewage Treatment Authority. The Township is in the process of applying for a grant from the State to help pay the engineering costs. If the grant is approved, the Township will apply for a low interest loan with the State to finance the projects. This project should start in the late summer of 2007 and be completed in 2008. Project expenses will be paid out of the Public Utility Fund and no rate increases for the sewer and water customers is anticipated.

Long-Term Debt

At the end of the current fiscal year, the Royalton Township had total debt outstanding of \$5,120,000.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt to 1.25% of its total state equalized valuation. The current debt limitation for Royalton Township is \$24,412,391 for bond debt and \$3,051,549 for note debt, which is significantly in excess of the Royalton Township's outstanding general obligation debt.

Next Year's Budget

Royalton Township anticipates expenditures over revenues in the general fund will result in a \$102,263 decrease in fund balance.

Requests for Information

This financial report is designed to provide a general overview of Royalton Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Royalton Township, 980 Miners Road, St. Joseph, Michigan 49085.

**ROYALTON TOWNSHIP
TOWNSHIP BOARD
March 31, 2007**

Steve Tilly	Supervisor
Rocco Genovese	Clerk
Michael Klug	Treasurer
William Foust	Trustee
Robert Basselman	Trustee

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

April 26, 2007

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Royalton Township
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Royalton Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's, basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures on 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 respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages I through VII, is not a required part of the financial statements but is 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.

Our audit was conducted for the purpose of forming opinions in the financial statements that collectively comprise Royalton Township's basic financial statements. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

ROYALTON TOWNSHIP
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 1,985,694	\$ 1,531,842	\$ 3,517,536
Certificates of deposit	169,508	205,063	374,571
Restricted cash	901	56,869	57,770
Receivables	17,009	49,336	66,345
Due from other funds	7,963	-	7,963
Prepaid expenses	17,666	-	17,666
Deposit on fixed assets	130,048		130,048
Bond cost (net of accumulated amortization)	-	164,343	164,343
Bond discount (net of accumulated amortization)	-	64,499	64,499
Special assessment receivable	-	3,869,820	3,869,820
Capital assets (net of related depreciation):			
Land	187,875	-	187,875
Construction in process	-	456,619	456,619
Buildings	537,164	-	537,164
Vehicles	180,485	3,115	183,600
Equipment	102,976	-	102,976
Utility systems	-	8,961,883	8,961,883
	<u>\$ 3,337,289</u>	<u>\$ 15,363,389</u>	<u>\$ 18,700,678</u>
Total Assets			
Liabilities			
Accounts payable	\$ 1,863	\$ 5,719	\$ 7,582
Accrued interest	-	87,104	87,104
Due to other governments	-	55,511	55,511
Noncurrent liabilities:			
Due within one year	40,000	290,000	330,000
Due in more than one year	160,000	4,630,000	4,790,000
	<u>\$ 201,863</u>	<u>\$ 5,068,334</u>	<u>\$ 5,270,197</u>
Total Liabilities			
Net Assets			
Invested in capital assets, net of related debt	\$ 1,008,500	\$ 4,526,617	\$ 5,535,117
Restricted for cemetery	901	-	901
Restricted for construction	-	56,869	56,869
Unrestricted	2,126,025	5,711,659	7,837,684
	<u>\$ 3,135,426</u>	<u>\$ 10,295,145</u>	<u>\$ 13,430,571</u>
TOTAL NET ASSETS			

ROYALTON TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative	\$ 4,979	\$ -	\$ -	\$ -
General government	422,080	118,878	268,883	-
Public safety	356,129	219,391	-	-
Public works	188,935	-	-	-
Recreation and cultural	52,688	-	-	-
Total Governmental Activities	<u>\$ 1,024,811</u>	<u>\$ 338,269</u>	<u>\$ 268,883</u>	<u>\$ -</u>
Business-type Activities:				
Public Utility Fund	\$ 789,485	\$ 809,518	\$ -	\$ -
Total Business-type Activities	<u>\$ 789,485</u>	<u>\$ 809,518</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,814,296</u>	<u>\$ 1,147,787</u>	<u>\$ 268,883</u>	<u>\$ -</u>

General revenues:
Property taxes
Interest
Gain (loss) on sale of assets

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

**Net (Expense) Revenue and
Changes in Net Assets**
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (4,979)	\$ -	\$ (4,979)
(34,319)	-	(34,319)
(136,738)	-	(136,738)
(188,935)	-	(188,935)
<u>(52,688)</u>	<u>-</u>	<u>(52,688)</u>
<u>\$ (417,659)</u>	<u>\$ -</u>	<u>\$ (417,659)</u>
<u>\$ -</u>	<u>\$ 20,033</u>	<u>\$ 20,033</u>
<u>\$ -</u>	<u>\$ 20,033</u>	<u>\$ 20,033</u>
<u>\$ (417,659)</u>	<u>\$ 20,033</u>	<u>\$ (397,626)</u>
\$ 356,201	\$ -	\$ 356,201
57,962	324,755	382,717
<u>(12,378)</u>	<u>-</u>	<u>(12,378)</u>
<u>\$ 401,785</u>	<u>\$ 324,755</u>	<u>\$ 726,540</u>
\$ (15,874)	\$ 344,788	\$ 328,914
<u>3,151,300</u>	<u>9,950,267</u>	<u>13,101,567</u>
<u>\$ 3,135,426</u>	<u>\$ 10,295,055</u>	<u>\$ 13,430,481</u>

**ROYALTON TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
March 31, 2007**

	<u>General Fund</u>	<u>Public Welfare Millage Fund</u>	<u>Inspection Fund</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 922,308	\$ 559,741	\$ 503,645	\$ 1,985,694
Certificates of deposit	169,508	-	-	169,508
Restricted cash for cemetery	901	-	-	901
Taxes receivable	8,647	8,362	-	17,009
Due from other funds	7,963	-	-	7,963
Prepaid expense	10,599	7,067	-	17,666
Deposit on fixed assets	<u>-</u>	<u>130,048</u>	<u>-</u>	<u>130,048</u>
 Total Current Assets	 <u>\$ 1,119,926</u>	 <u>\$ 705,218</u>	 <u>\$ 503,645</u>	 <u>\$ 2,328,789</u>
 TOTAL ASSETS	 <u>\$ 1,119,926</u>	 <u>\$ 705,218</u>	 <u>\$ 503,645</u>	 <u>\$ 2,328,789</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accrued liabilities	<u>\$ -</u>	<u>\$ 1,863</u>	<u>\$ -</u>	<u>\$ 1,863</u>
 Total Current Liabilities	 <u>\$ -</u>	 <u>\$ 1,863</u>	 <u>\$ -</u>	 <u>\$ 1,863</u>
 Total Liabilities	 <u>\$ -</u>	 <u>\$ 1,863</u>	 <u>\$ -</u>	 <u>\$ 1,863</u>
Fund Balances:				
Reserved for cemetery	\$ 901	\$ -	\$ -	\$ 901
Unreserved	<u>1,119,025</u>	<u>703,355</u>	<u>503,645</u>	<u>2,326,025</u>
 Total Fund Balances	 <u>\$ 1,119,926</u>	 <u>\$ 703,355</u>	 <u>\$ 503,645</u>	 <u>\$ 2,326,926</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,119,926</u>	 <u>\$ 705,218</u>	 <u>\$ 503,645</u>	 <u>\$ 2,328,789</u>

ROYALTON TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended March 31, 2007

Fund balances of governmental funds.	\$ 2,326,926
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements.	1,601,588
Capital assets are not depreciated in the governmental funds statements; however, they are depreciated over their useful lives in the government-wide statements. Accumulated depreciation at March 31, 2007 is reported in the government-wide statements.	(593,088)
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds	<u>(200,000)</u>
Net assets of governmental activities	<u>\$ 3,135,426</u>

**ROYALTON TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2007**

	<u>General Fund</u>	<u>Public Welfare Millage Fund</u>	<u>Inspection Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 156,445	\$ 199,756	\$ -	\$ 356,201
State revenues	268,883	-	-	268,883
Collection fees	51,955	-	-	51,955
Permits	-	-	221,660	221,660
Rents	11,648	-	-	11,648
Cemetery revenue	7,861	-	-	7,861
Interest	33,337	10,034	14,591	57,962
Other	47,414	-	-	47,414
	<u>\$ 577,543</u>	<u>\$ 209,790</u>	<u>\$ 236,251</u>	<u>\$ 1,023,584</u>
Total Revenues				
Expenditures:				
Legislative	\$ 4,979	\$ -	\$ -	\$ 4,979
General government	396,508	-	-	396,508
Public safety	2,794	89,524	219,873	312,191
Public works	188,935	-	-	188,935
Recreation and cultural	9,920	42,768	-	52,688
Capital outlay	-	249	2,020	2,269
	<u>\$ 603,136</u>	<u>\$ 132,541</u>	<u>\$ 221,893</u>	<u>\$ 957,570</u>
Total Expenditures				
Revenues Over Expenditures	<u>\$ (25,593)</u>	<u>\$ 77,249</u>	<u>\$ 14,358</u>	<u>\$ 66,014</u>
Other Financing Sources (Uses):				
Proceeds from loans	\$ -	\$ 200,000	\$ -	\$ 200,000
Sale of assets	10,000	3,000	-	13,000
	<u>\$ 10,000</u>	<u>\$ 203,000</u>	<u>\$ -</u>	<u>\$ 213,000</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	\$ (15,593)	\$ 280,249	\$ 14,358	\$ 279,014
Fund Balances - Beginning of Year	<u>1,135,519</u>	<u>423,106</u>	<u>489,287</u>	<u>2,047,912</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,119,926</u>	<u>\$ 703,355</u>	<u>\$ 503,645</u>	<u>\$ 2,326,926</u>

ROYALTON TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - total governmental funds	\$	279,014
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Sale of capital assets on government-wide statements factor in depreciation; fund based statements do not.		(25,378)
Capital assets are not depreciated in the governmental funds statements; however, they are depreciated over their useful lives in the government-wide statements. Depreciation expense for the year ended March 31, 2007, is reported in the government-wide statements.		(69,510)
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.		<u>(200,000)</u>
Changes in net assets of governmental activities	\$	<u>(15,874)</u>

**ROYALTON TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 140,000	\$ 130,000	\$ 156,445	\$ 26,445
State revenues	269,037	269,037	268,883	(154)
Collection fees	42,000	50,000	51,955	1,955
Rents	9,500	-	11,648	11,648
Cemetery revenue	6,000	7,500	7,861	361
Interest	12,000	2,500	33,337	30,837
Other	52,000	51,000	47,414	(3,586)
	<u>\$ 530,537</u>	<u>\$ 510,037</u>	<u>\$ 577,543</u>	<u>\$ 67,506</u>
Total Revenues				
Expenditures:				
Legislative	\$ 5,800	\$ 6,500	\$ 4,979	\$ 1,521
General government	449,100	419,600	396,508	23,092
Public safety	3,200	3,200	2,794	406
Public works	131,595	172,000	188,935	(16,935)
Recreation and cultural	14,500	11,000	9,920	1,080
	<u>\$ 604,195</u>	<u>\$ 612,300</u>	<u>\$ 603,136</u>	<u>\$ 9,164</u>
Total Expenditures				
Revenues Over (Under) Expenditures	\$ (73,658)	\$ (102,263)	\$ (25,593)	\$ 76,670
Other Financing Sources:				
Sale of assets	-	-	10,000	10,000
	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balances	\$ (73,658)	\$ (102,263)	\$ (15,593)	\$ 86,670
Fund Balances - Beginning of Year	1,135,519	1,135,519	1,135,519	-
	<u>1,135,519</u>	<u>1,135,519</u>	<u>1,135,519</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,061,861</u>	<u>\$ 1,033,256</u>	<u>\$ 1,119,926</u>	<u>\$ 86,670</u>

**ROYALTON TOWNSHIP
PUBLIC WELFARE MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes			\$ 199,756	
Interest			<u>10,034</u>	
Total Revenues	<u>\$ 182,500</u>	<u>\$ 210,000</u>	<u>\$ 209,790</u>	<u>\$ (210)</u>
Expenditures:				
Public safety			\$ 89,524	
Recreation and cultural			42,768	
Capital outlay			<u>249</u>	
Total Expenditures	<u>\$ 163,074</u>	<u>\$ 270,000</u>	<u>\$ 132,541</u>	<u>\$ 137,459</u>
Revenues Over (Under) Expenditures	<u>\$ 19,426</u>	<u>\$ (60,000)</u>	<u>\$ 77,249</u>	<u>\$ 137,249</u>
Other Financing Sources (Uses):				
Proceeds from loans			\$ 200,000	
Sale of assets			<u>3,000</u>	
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,000</u>	<u>\$ 203,000</u>
Net Change in Fund Balances	<u>\$ 19,426</u>	<u>\$ (60,000)</u>	<u>\$ 280,249</u>	<u>\$ 340,249</u>
Fund Balances - Beginning of Year	<u>423,106</u>	<u>423,106</u>	<u>423,106</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 442,532</u>	<u>\$ 363,106</u>	<u>\$ 703,355</u>	<u>\$ 340,249</u>

**ROYALTON TOWNSHIP
INSPECTION FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Permits			\$ 221,660	
Interest			<u>14,591</u>	
Total Revenues	<u>\$ 180,000</u>	<u>\$ 215,000</u>	<u>\$ 236,251</u>	<u>\$ 21,251</u>
Expenditures:				
Public safety			\$ 219,873	
Capital outlay			<u>2,020</u>	
Total Expenditures	<u>\$ 234,700</u>	<u>\$ 210,000</u>	<u>\$ 221,893</u>	<u>\$ (11,893)</u>
Net Change in Fund Balances	\$ (54,700)	\$ 5,000	\$ 14,358	\$ 9,358
Fund Balances - Beginning of Year	<u>489,287</u>	<u>489,287</u>	<u>489,287</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 434,587</u>	<u>\$ 494,287</u>	<u>\$ 503,645</u>	<u>\$ 9,358</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Net Assets
 For the Year Ended March 31, 2007**

Assets

Current Assets:	
Cash and cash equivalents	\$ 1,531,842
Certificates of deposit	205,063
Delinquent water receivable	5,327
Delinquent special assessment receivable	<u>44,009</u>
Total Current Assets	\$ <u>1,786,241</u>
Restricted Assets:	
Cash and cash equivalents	<u>\$ 56,869</u>
Noncurrent Assets:	
Plant, property, and equipment	\$ 11,718,267
Construction in process	456,619
Special assessment receivable	3,869,820
Water bond cost, net of \$80,264 accumulated amortization	164,343
Water bond discount, net of \$37,585 accumulated amortization	64,499
Accumulated depreciation	<u>(2,753,269)</u>
Total Noncurrent Assets	\$ <u>13,520,279</u>
TOTAL ASSETS	\$ <u>15,363,389</u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 5,719
Current portion of bonds payable	265,000
Current portion of note payable	25,000
Accrued interest	87,104
Due to other governments	<u>55,511</u>
Total Current Liabilities	\$ <u>438,334</u>
Long-Term Liabilities:	
Bonds payable, net of current portion	\$ 4,605,000
Note payable, net of current portion	<u>25,000</u>
Total Long-Term Liabilities	\$ <u>4,630,000</u>
Total Liabilities	\$ <u>5,068,334</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 4,526,617
Restricted for construction	56,869
Unrestricted	<u>5,711,569</u>
TOTAL NET ASSETS	\$ <u>10,295,055</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended March 31, 2007**

Operating Revenues:	
Charges for services	\$ 809,518
	<u>809,518</u>
Total Operating Revenues	\$ 809,518
 Operating Expenses:	
Sewer treatment charges	\$ 178,989
Professional services	5,924
Salary and wages	21,402
Payroll taxes	1,581
Depreciation and amortization	284,409
Utilities	21,257
Supplies	11,281
Repair and maintenance	11,406
Contribution to LMSWSTA	42,480
Miscellaneous	<u>1,351</u>
	<u>580,080</u>
Total Operating Expenses	\$ 580,080
Operating Income	<u>\$ 229,438</u>
 Nonoperating Revenues (Expenses):	
Interest income	\$ 324,755
Interest expense	<u>(209,405)</u>
	<u>115,350</u>
Total Nonoperating Revenues (Expenses)	\$ 115,350
Change in Net Assets	\$ 344,788
Total Net Assets - Beginning of Year	<u>9,950,267</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 10,295,055</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Cash Flows
 For the Year Ended March 31, 2007**

Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 1,119,267
Other payments	(5,969)
Payments to employees	(22,983)
Payments to suppliers	<u>(246,324)</u>
Net cash provided by operating activities	<u>\$ 843,991</u>
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	\$ (225,956)
Principal paid on capital debt	(645,000)
Purchases of capital assets	<u>(683,612)</u>
Net cash used by capital and related financing activities	<u>\$ (1,554,568)</u>
Cash Flows From Investing Activities:	
Special assessment interest received	\$ 232,134
Interest and dividends received	<u>92,621</u>
Net cash provided by investing activities	<u>\$ 324,755</u>
Net decrease in cash and cash equivalents	\$ (385,822)
Balances - Beginning of Year	<u>2,179,596</u>
BALANCES - END OF YEAR	<u>\$ 1,793,774</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 229,438</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	\$ 284,409
(Increase) decrease in:	
Accounts receivable	309,742
Increase (decrease) in:	
Accounts payable	5,719
Due to other funds	<u>14,683</u>
Total Adjustments	<u>\$ 614,553</u>
Net cash provided by operating activities	<u>\$ 843,991</u>

**ROYALTON TOWNSHIP
FIDUCIARY FUND
CURRENT TAX FUND
Statement of Fiduciary Net Assets
For the Year Ended March 31, 2007**

Assets	
Cash and cash equivalents	\$ <u>7,963</u>
TOTAL ASSETS	\$ <u><u>7,963</u></u>
Liabilities	
Due to other funds	\$ <u>7,963</u>
TOTAL LIABILITIES	\$ <u><u>7,963</u></u>

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Royalton Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the Township does not have any component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are 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 services.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

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

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Royalton Township reports the following major governmental funds:

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

The **Public Welfare Millage Fund** is used to account for the Township's fire department as well as payments for library and ambulance service.

The **Inspection Fund** is used to account for the activities of the inspection department.

Royalton Township reports the following major proprietary fund:

The **Public Utility Fund** accounts for the activities related to the Township's water production, purification, distribution, billing, sanitary collection system and waste water treatment.

Additionally, Royalton Township reports the following fund type:

The **Agency Funds** are used to collect and distribute State of Michigan, Berrien County, Lake Michigan College, Berrien Springs Public Schools, St. Joseph Public Schools, Lakeshore Public Schools, and Berrien County Intermediate School District property tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues 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. All taxes are reported as general taxes.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

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. Operating expense for proprietary funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgetary Data

At a March meeting the Manager submits to the Township Board a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to March 31, the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Royalton Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful lives of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	40 years
Equipment	5-10 years
Vehicles	5-15 years
Utility Systems	39-40 years

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. 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. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 15. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund.

H. Sanitation and Water Billings

The Township has a contract with the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The City collects the billings and remits according to the Township's portion according to the contract.

I. Investments and Cash Equivalents

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - CASH DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices 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; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan. The Township has designated Fifth Third Bank for the deposit of its funds.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 2 - CASH DEPOSITS - Continued

Royalton Township's deposits are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 1,985,694	\$ 1,531,842	\$ 3,517,536
Certificates of deposit	169,508	205,063	374,571
Restricted cash	<u>901</u>	<u>56,869</u>	<u>57,770</u>
Total	<u>\$ 2,156,103</u>	<u>\$ 1,793,774</u>	<u>\$ 3,949,877</u>

Year-End Deposits

For the bank deposits and certificates of deposit, \$100,000 was covered by federal depository insurance and \$3,857,840 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the entity at year-end. The Township currently does not have an investment policy.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Primary Government		
Amount insured by the FDIC	\$ 92,037	\$ 92,037
Uninsured	<u>3,857,840</u>	<u>3,828,523</u>
Total Primary Government	\$ 3,949,877	\$ 3,920,560
Fiduciary Funds		
Amount insured by the FDIC	<u>7,963</u>	<u>7,963</u>
Total Reporting Entity	<u>\$ 3,957,840</u>	<u>\$ 3,928,523</u>

NOTE 3 - JOINT VENTURE

Lake Michigan Shoreline Water & Sewage Treatment Authority

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township joined the Authority.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 3 - JOINT VENTURE - Continued

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

The member contribution percentages for the year ended March 31, 2007, are as follows: Royalton Township - 10%, Lincoln Township - 56%, and St. Joseph Charter Township - 34%.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2006. A copy of the audited financial report is available for review at the Township office.

	Modified Accrual	Full Accrual
Assets	\$ 673,634	\$ 854,799
Liabilities	30,056	30,056
Fund Equity	643,578	824,743
Revenues	865,152	865,152
Expenditures	313,680	162,736
Increase in Fund Equity/Net Assets	551,472	702,416

The Township is contingently liable for 10% of the \$6,270,000 Water Supply System Bonds, Series 2007 issued to Lake Michigan Shoreline Water and Sewer Treatment Authority dated April 1, 2007.

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2007 were as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Governmental Activities				
Land	\$ 213,253	\$ -	\$ (25,378)	\$ 187,875
Buildings	\$ 736,645	\$ -	\$ -	\$ 736,645
Equipment	201,549	-	-	201,549
Vehicles	475,519	-	-	475,519
Subtotal	\$ 1,413,713	\$ -	\$ -	\$ 1,413,713
Less: Accumulated Depreciation	(523,578)	(69,510)	-	(593,088)
Total Capital Assets Other Than Land	\$ 890,135	\$ (69,510)	\$ -	\$ 820,625

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 4 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2007</u>
Business Activities				
Construction in process	\$ 26,500	\$ 430,119	\$ -	\$ 456,619
Vehicles	\$ 22,876	\$ -	\$ -	\$ 22,876
Utility Systems	11,441,890	253,501	-	11,695,391
Subtotal	\$ 11,464,766	\$ 253,501	\$ -	\$ 11,718,267
Less: Accumulated Depreciation	<u>(2,486,894)</u>	<u>(266,375)</u>	<u>-</u>	<u>(2,753,269)</u>
Total Capital Assets Other Than Construction in Process	<u>\$ 8,977,872</u>	<u>\$ (12,874)</u>	<u>\$ -</u>	<u>\$ 8,964,998</u>

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$ 25,572
Public safety	<u>43,938</u>
Total	<u>\$ 69,510</u>

Business-type functions:

Public Utility Fund	\$ 266,375
Total	<u>\$ 266,375</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended March 31, 2007:

	<u>Notes</u> <u>Payable</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total</u>
Balance, April 1, 2006	\$ 75,000	\$ 5,490,000	\$ 5,565,000
New debt	200,000	-	200,000
Debt redeemed	<u>(25,000)</u>	<u>(620,000)</u>	<u>(645,000)</u>
Balance, March 31, 2007	<u>\$ 250,000</u>	<u>\$ 4,870,000</u>	<u>\$ 5,120,000</u>

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt at March 31, 2007 is comprised of the following individual issues:

	<u>Balance</u> <u>April 1,</u> <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31,</u> <u>2007</u>	<u>Due Within</u> <u>One Year</u>
Business Activities					
Berrien County Water Supply System No. 26 Bonds, Series 2005. Principal is due in annual installments of \$15,000 - \$45,000 through May 1, 2025; interest varies from 3.45% - 4.70%	\$ 535,000	\$ -	\$ 5,000	\$ 530,000	\$ 15,000
Berrien County Water Supply System No. 25 Bonds, Series 2003. Principal is due in annual installments of \$100,000 - \$200,000 through May 1, 2023; interest rate varies from 2.0% - 4.45%	2,525,000	-	75,000	2,450,000	100,000
Berrien County Water Supply System No. 23 Bonds, Series 1998. Principal is due in annual installments of \$100,000 - \$145,000 through May 1, 2018; interest rate varies from 4.35% - 4.75%	1,370,000	-	75,000	1,295,000	100,000
Berrien County Water Supply System No. 20 Bonds, Series 1994. Principal is due in annual installments of \$50,000 - \$95,000 through May 1, 2014; interest rate varies from 5.65% - 6%	645,000	-	50,000	595,000	50,000
Berrien County Sewer Disposal System No. 20, Refunding Bonds. Final principal payment of \$415,000 is due May 1, 2006; interest rate is 4.9%	415,000	-	415,000	-	-
Total General Obligation Bonds	\$ 5,490,000	\$ -	\$ 620,000	\$ 4,870,000	\$ 265,000

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 5 - LONG-TERM DEBT - Continued

Business Activities - Continued	Balance April 1, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance March 31, <u>2007</u>	<u>Due Within One Year</u>
<p>The repayment of these general obligation bonds is guaranteed by the Township and Berrien County. The bonds were issued by Berrien County and the Township pays the County the current maturities under a contract. The bonds represent the financing of public improvements that benefit specific districts; these districts are assessed, at least in part, for the cost of the improvements. At March 31, 2007, there is \$3,869,820 of special assessments receivable in the future; the amount of delinquent receivables at March 31, 2007 is not significant.</p> <p>The Township agrees to reimburse Lincoln Township for the oversized water transmission mains in the amount of \$250,000 paid in annual installments of \$25,000 through June 1, 2008; no interest is being charged.</p>					
	<u>75,000</u>	<u>-</u>	<u>25,000</u>	<u>50,000</u>	<u>25,000</u>
Total Business Activities	<u>\$ 5,565,000</u>	<u>\$ -</u>	<u>\$ 645,000</u>	<u>\$ 4,920,000</u>	<u>\$ 290,000</u>
Governmental Activities - Primary Activities					
<p>A March 30, 2007, installment note to Fifth Third Bank in the amount of \$200,000 is due in annual principal installments of \$40,000 plus interest at 4.09% per annum through March 16, 2012.</p>					
	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 40,000</u>
Total Governmental Activities - Primary Government	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 40,000</u>

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 5 - LONG-TERM DEBT - Continued

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

Year Ending March 31,	Business Activities	
	Principal	Interest
2008	\$ 330,000	\$ 211,931
2009	355,000	199,633
2010	335,000	186,001
2011	335,000	171,787
2012	360,000	156,862
2013-2017	1,565,000	564,844
2018-2022	1,280,000	251,566
2023-2027	560,000	33,359
Total	\$ 5,120,000	\$ 1,775,983

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2007, is as follows:

Due to/from other funds:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 7,963	Current Tax Fund	\$ 7,963

The Current Tax Fund collects tax revenue and remits it to the General Fund.

NOTE 7 - RESTRICTED ASSETS

Restricted assets at March 31, 2007, consist of \$56,869 of cash held at Berrien County. The restricted cash is used for construction in Royalton Township's Public Utility Fund. There is also \$901 of cash in the General Fund. That is restricted for cemetery expenditures.

NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Township provides pension benefits to all of its full-time employees and elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes fifteen percent of employees' gross earnings and employees contribute a minimum of five percent, and a maximum of 10% of earnings. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

The Township's total payroll during the current year was \$311,808. The current year contribution was calculated based on covered payroll of \$258,096, resulting in an employer contribution of \$39,301 and employee contributions of \$16,084.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 9 - DEFERRED COMPENSATION PLAN

As of July 1, 2003, the Township offered a deferred compensation plan administered by ING Life Insurance and Annuity Company called the Royalton Township 457 Plan. Eligible employees may contribute 100% of their includible compensation up to limits set by law. There is no requirement for employer contributions. For the current year there were no employer contributions; employees' contributions totaled \$1,955.

NOTE 10 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 11 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the function level. During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

		<u>Activity</u> <u>Appropriation</u>		<u>Activity</u> <u>Expenditures</u>		<u>Negative</u> <u>Budget Activity</u>
General Fund	Public Works	\$ 172,000		\$ 188,935		\$ (16,935)
Inspection Fund		210,000		221,893		(11,893)

NOTE 12 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Township carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**ROYALTON TOWNSHIP
TRUST AND AGENCY FUND
Statement of Cash Receipts and Disbursements - Tax Collection Fund
For the Year Ended March 31, 2007**

Receipts:	
Current property tax collections	\$ 5,575,992
Interest	<u>6,281</u>
Total Receipts	<u>\$ 5,582,273</u>
Disbursements:	
Public schools	\$ 1,463,047
Berrien County	2,380,397
Other funds	881,429
Berrien County I.S.D.	479,514
Lake Michigan College	361,351
State of Michigan	6,256
Interest	<u>6,281</u>
Total Disbursements	<u>\$ 5,578,275</u>
Receipts Over Disbursements	\$ 3,998
Cash - Beginning of Year	<u>3,965</u>
CASH - END OF YEAR	<u>\$ 7,963</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Net Assets
 For the Year Ended March 31, 2007**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ (1,098,285)	\$ 2,630,127	\$ 1,531,842
Certificates of deposit	-	205,063	205,063
Delinquent water receivable	-	5,327	5,327
Delinquent special assessment receivable	-	<u>44,009</u>	<u>44,009</u>
Total Current Assets	<u>\$ (1,098,285)</u>	<u>\$ 2,884,526</u>	<u>\$ 1,786,241</u>
Restricted Assets:			
Cash and cash equivalents	<u>\$ 683</u>	<u>\$ 56,186</u>	<u>\$ 56,869</u>
Noncurrent Assets:			
Plant, property, and equipment	\$ 5,631,801	\$ 6,086,466	\$ 11,718,267
Construction in process	-	456,619	456,619
Special assessment receivable	400	3,869,420	3,869,820
Water bond cost, net of \$80,264 accumulated amortization	-	164,343	164,343
Water bond discount, net of \$37,585 accumulated amortization	-	64,499	64,499
Accumulated depreciation	<u>(1,844,228)</u>	<u>(909,041)</u>	<u>(2,753,269)</u>
Total Noncurrent Assets	<u>\$ 3,787,973</u>	<u>\$ 9,732,306</u>	<u>\$ 13,520,279</u>
TOTAL ASSETS	<u>\$ 2,690,371</u>	<u>\$ 12,673,018</u>	<u>\$ 15,363,389</u>

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 5,719	\$ -	\$ 5,719
Current portion of bonds payable	-	265,000	265,000
Current portion of note payable	-	25,000	25,000
Accrued interest	-	87,104	87,104
Due to other governments	<u>55,511</u>	<u>-</u>	<u>55,511</u>
Total Current Liabilities	<u>\$ 61,230</u>	<u>\$ 377,104</u>	<u>\$ 438,334</u>
Long-Term Liabilities:			
Bonds payable, net of current portion	\$ -	\$ 4,605,000	\$ 4,605,000
Note payable, net of current portion	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 4,630,000</u>	<u>\$ 4,630,000</u>
Total Liabilities	<u>\$ 61,230</u>	<u>\$ 5,007,104</u>	<u>\$ 5,068,334</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 3,787,573	\$ 739,044	\$ 4,526,617
Restricted	683	56,186	56,869
Unrestricted	<u>(1,159,115)</u>	<u>6,870,684</u>	<u>5,711,569</u>
TOTAL NET ASSETS	<u>\$ 2,629,141</u>	<u>\$ 7,665,914</u>	<u>\$ 10,295,055</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended March 31, 2007**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 596,771	\$ 212,747	\$ 809,518
Total Operating Revenues	<u>\$ 596,771</u>	<u>\$ 212,747</u>	<u>\$ 809,518</u>
Operating Expenses:			
Sewer treatment charges	\$ 178,944	\$ 45	\$ 178,989
Professional services	5,924	-	5,924
Salary and wages	21,402	-	21,402
Payroll taxes	1,581	-	1,581
Depreciation and amortization	118,535	165,874	284,409
Utilities	21,257	-	21,257
Supplies	10,281	1,000	11,281
Repairs and maintenance	11,406	-	11,406
Contribution to LMSWSTA	8,357	34,123	42,480
Miscellaneous	587	764	1,351
Total Operating Expenses	<u>\$ 378,274</u>	<u>\$ 201,806</u>	<u>\$ 580,080</u>
Operating Income	<u>\$ 218,497</u>	<u>\$ 10,941</u>	<u>\$ 229,438</u>
Nonoperating Revenues (Expenses):			
Interest income	\$ 48	\$ 324,707	\$ 324,755
Interest expense	<u>-</u>	<u>(209,405)</u>	<u>(209,405)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 48</u>	<u>\$ 115,302</u>	<u>\$ 115,350</u>
Change in Net Assets	\$ 218,545	\$ 126,243	\$ 344,788
Total Net Assets - Beginning of Year	<u>2,410,596</u>	<u>7,539,671</u>	<u>9,950,267</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 2,629,141</u>	<u>\$ 7,665,914</u>	<u>\$ 10,295,055</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Cash Flows
 For the Year Ended March 31, 2007**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 596,971	\$ 522,296	\$ 1,119,267
Other payments	(5,924)	(45)	(5,969)
Payments to employees	(22,983)	-	(22,983)
Payments to suppliers	<u>(210,430)</u>	<u>(35,894)</u>	<u>(246,324)</u>
Net cash provided by operating activities	<u>\$ 357,634</u>	<u>\$ 486,357</u>	<u>\$ 843,991</u>
Cash Flows From Capital and Related Financing Activities:			
Interest paid on capital debt	\$ (10,168)	\$ (215,788)	\$ (225,956)
Principal paid on capital debt	(415,000)	(230,000)	(645,000)
Purchases of capital assets	<u>(23,322)</u>	<u>(660,290)</u>	<u>(683,612)</u>
Net cash used by capital and related financing activities	<u>\$ (448,490)</u>	<u>\$ (1,106,078)</u>	<u>\$ (1,554,568)</u>
Cash Flows From Investing Activities:			
Special assessment interest received	\$ 48	\$ 232,086	\$ 232,134
Interest and dividends received	<u>-</u>	<u>92,621</u>	<u>92,621</u>
Net cash provided by investing activities	<u>\$ 48</u>	<u>\$ 324,707</u>	<u>\$ 324,755</u>
Net decrease in cash and cash equivalents	\$ (90,808)	\$ (295,014)	\$ (385,822)
Balances - Beginning of Year	<u>(1,006,794)</u>	<u>3,186,390</u>	<u>2,179,596</u>
BALANCES - END OF YEAR	<u>\$ (1,097,602)</u>	<u>\$ 2,891,376</u>	<u>\$ 1,793,774</u>

**ROYALTON TOWNSHIP
 PROPRIETARY FUND
 PUBLIC UTILITY FUND
 Statement of Cash Flows - Continued
 For the Year Ended March 31, 2007**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 218,497	\$ 10,941	\$ 229,438
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	\$ 118,535	\$ 165,874	\$ 284,409
(Increase) decrease in:			
Accounts receivable	200	309,542	309,742
Increase (decrease) in:			
Accounts payable	5,719	-	5,719
Due to other governments	<u>14,683</u>	<u>-</u>	<u>14,683</u>
Total Adjustments	<u>\$ 139,137</u>	<u>\$ 475,416</u>	<u>\$ 614,553</u>
Net cash provided by operating activities	<u>\$ 357,634</u>	<u>\$ 486,357</u>	<u>\$ 843,991</u>

ROYALTON TOWNSHIP
Schedule of Indebtedness - 2007 Installment Note
March 31, 2007

<u>Year Ended</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest</u> <u>Due</u>	<u>Prinicpal</u> <u>Due May 1,</u>	<u>Balance</u>
		\$ -	\$ -	\$ -	\$ 200,000
2008	4.09%	48,180	8,180	40,000	160,000
2009	4.09%	46,544	6,544	40,000	120,000
2010	4.09%	44,908	4,908	40,000	80,000
2011	4.09%	43,272	3,272	40,000	40,000
2012	4.09%	41,636	1,636	40,000	-
		<u>\$ 224,540</u>	<u>\$ 24,540</u>	<u>\$ 200,000</u>	

ROYALTON TOWNSHIP
Schedule of Indebtedness - 2005 Project Bonds
March 31, 2007

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 26
 Project Bonds (Royalton Township)

ISSUE DATED SEPTEMBER 1, 2005 IN THE AMOUNT OF

\$535,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2008	3.45%	\$ 22,501	\$ 15,000	\$ 37,501
2009	3.55%	21,976	15,000	36,976
2010	3.70%	21,340	20,000	41,340
2011	3.80%	20,590	20,000	40,590
2012	3.90%	19,820	20,000	39,820
2013	4.00%	19,030	20,000	39,030
2014	4.10%	18,118	25,000	43,118
2015	4.15%	17,086	25,000	42,086
2016	4.20%	16,043	25,000	41,043
2017	4.25%	14,986	25,000	39,986
2018	4.30%	13,810	30,000	43,810
2019	4.35%	12,513	30,000	42,513
2020	4.40%	11,200	30,000	41,200
2021	4.45%	9,761	35,000	44,761
2022	4.50%	8,195	35,000	43,195
2023	4.55%	6,611	35,000	41,611
2024	4.60%	4,895	40,000	44,895
2025	4.65%	3,045	40,000	43,045
2026	4.70%	1,058	45,000	46,058
		<u>\$ 262,578</u>	<u>\$ 530,000</u>	<u>\$ 792,578</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 2003 Project Bonds
March 31, 2007

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 25
 Project Bonds (Royalton Township)

ISSUE DATED JANUARY 1, 2004 IN THE AMOUNT OF \$2,600,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2008	2.00%	\$ 89,838	\$ 100,000	\$ 189,838
2009	2.40%	87,637	100,000	187,637
2010	2.70%	85,088	100,000	185,088
2011	3.00%	82,237	100,000	182,237
2012	3.15%	78,769	125,000	203,769
2013	3.35%	74,706	125,000	199,706
2014	3.40%	70,487	125,000	195,487
2015	3.55%	66,144	125,000	191,144
2016	3.70%	61,150	150,000	211,150
2017	3.80%	55,525	150,000	205,525
2018	3.90%	49,750	150,000	199,750
2019	4.00%	43,825	150,000	193,825
2020	4.10%	37,238	175,000	212,238
2021	4.20%	29,975	175,000	204,975
2022	4.30%	22,000	200,000	222,000
2023	4.40%	13,300	200,000	213,300
2024	4.45%	4,450	200,000	204,450
		<u>\$ 952,119</u>	<u>\$ 2,450,000</u>	<u>\$ 3,402,119</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 1998 Project Bonds
March 31, 2007

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 23
 Project Bonds (Royalton Township)

ISSUE DATED JULY 1, 1998 IN THE AMOUNT OF

\$1,820,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2008	4.35%	\$ 57,587	\$ 100,000	\$ 157,587
2009	4.40%	53,213	100,000	153,213
2010	4.50%	48,762	100,000	148,762
2011	4.55%	44,238	100,000	144,238
2012	4.55%	39,687	100,000	139,687
2013	4.60%	35,113	100,000	135,113
2014	4.65%	30,487	100,000	130,487
2015	4.70%	25,813	100,000	125,813
2016	4.70%	21,112	100,000	121,112
2017	4.75%	15,794	125,000	140,794
2018	4.75%	9,856	125,000	134,856
2019	4.75%	3,443	145,000	148,443
		<u>\$ 385,105</u>	<u>\$ 1,295,000</u>	<u>\$ 1,680,105</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 1988 Extension
March 31, 2007

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 20
 Bonds (Royalton Township), Series 1994

ISSUE DATED OCTOBER 1, 1994 IN THE AMOUNT OF \$1,195,000

Year Ending March 31,	Interest Rate	Interest Due	Principal Due May 1,	Total
2008	5.625%	\$ 33,825	\$ 50,000	\$ 83,825
2009	5.750%	30,263	75,000	105,263
2010	5.875%	25,903	75,000	100,903
2011	6.000%	21,450	75,000	96,450
2012	6.000%	16,950	75,000	91,950
2013	6.000%	12,450	75,000	87,450
2014	6.000%	7,950	75,000	82,950
2015	6.000%	<u>2,850</u>	<u>95,000</u>	<u>97,850</u>
		<u>\$ 151,641</u>	<u>\$ 595,000</u>	<u>\$ 746,641</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

April 26, 2007

Township Board
Royalton Township
Berrien County, Michigan

Dear Township Board Members:

In planning and performing our audit of the financial statements of Royalton Township for the year ended March 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements, but not to provide assurance on the internal control structure. However, we noted certain matters we have included as recommendations that may be beneficial to the operation of the Township.

In connection with our audit of the books and records of Royalton Township for the year ending March 31, 2007, we offer the following comments and recommendations:

1. State of Michigan Public Act 20 of 1943 as amended by Public Act 196 of 1997 requires the Township to adopt an investment policy that, at minimum, includes (a) a statement of the purpose, scope and objectives of the policy, including safety, diversification, liquidity, and return on investment, (b) a delegation of authority to make investments, and (c) a list of authorized investment instruments. We have provided the Township sample investment policies issued by the State of Michigan and the Government Finance Officers Association to assist the Board in formulating a policy for the Township.
2. During the audit we have learned that the Township has a Fifth Third Bank ATM card that has never been used and is not needed for the Township's bank accounts. We suggest that management close this card with bank officials.
3. Blank checks need to be secured in the locked area in the vault at all times.

We appreciate the courtesy and cooperation extended to us by the management and employees of the Township and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

This report is intended solely for the information and use of Royalton Township's Board. This restriction is not intended to limit distribution of this report, which is a matter of public record.

If we can be of any help in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com