Eden Township

Lake County, Michigan

Audited Financial Statements

March 31, 2006

Jay Thiebaut, P.C.
Certified Public Accountant
Cadillac, Michigan

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	EDEN TOWNSHIP	LAKE COUNTY

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
MARCH 31, 2006	SEPTEMBER 15, 2006	SEPTEMBER 28, 2006

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
JAY THIEBAUT PC CPA	231-775-0174

Street Address	City	State	Zip
222 HOWARD ST, PO BOX 807	CADILLAC	MI	49601

Authorizing CPA Signature	Printed Name	License Number
Jay Thiebaut	JAY THIEBAUT	8987

Eden Township

Lake County, Michigan

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Eden Township

Lake County, Michigan
Board Members
March 31, 2006

Supervisor	Gary Oetman
Clerk	Barbara Charnes
Treasurer	Evelyn Feldt
Trustee	William Miller
Trustee	Chris Oetman

Jay Thiebaut, P.C.
Certified Public Accountant
P.O. Box 807
Cadillac, Michigan 49601
Telephone 231-775-0174

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Eden Township
Lake County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of Eden Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Eden Township, as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial – and Management's Discussion and Analysis – For State and Local Governments*, and a Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Jay Thiebaut P.C.
Certified Public Accountant
September 15, 2006

Basic Financial Statements

Eden Township

Statement of Net Assets
March 31, 2006

	Govermental Activities
Assets	
Cash and cash equivalents	$ 132,408
Receivables	42,057
Capital assets, net	25,453
Total assets	**$ 199,918**
Net assets	
Investment in capital assets, net of related debt	$ 25,453
Unrestricted	174,465
Total net assets	**199,918**
Total liabilities and net assets	**$ 199,918**

See notes to financial statements.

Eden Township

Statement of Activities
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
General government	$ 66,811	$ 1,600	$ 65,211
Public safety	24,845	-	24,845
Parks and recreation	104	-	104
Total governmental activities	**$ 91,760**	**$ 1,600**	**90,160**
General revenues			
Taxes			81,777
State sources			25,462
Interest			681
Other			3,404
Total general revenues			**111,324**
Changes in net assets			**21,164**
Net assets-beginning of year			**178,754**
Net assets-end of year			**$ 199,918**

See notes to financial statements.

Eden Township

Balance Sheet
Governmental Funds
March 31, 2006

	General
Assets	
Cash	$ 132,408
Due from other funds	42,057
Total assets	**$ 174,465**
Fund balances	
Unreserved and undesignated	$ 174,465
Total liabilities and fund balances	**$ 174,465**

See notes to financial statements.

Eden Township

Reconciliation of the Balance Sheet of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	**$ 174,465**
Total net assets for governmerntal activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	25,453
Net assets of governmental funds	**$ 199,918**

See notes to financial statements.

Eden Township

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006

	General	Special Revenue Fund Fire	Total Governmental
Revenues			
Taxes	$ 56,932	$ 24,845	$ 81,777
State sources	25,462	-	25,462
Charges for services	1,600	-	1,600
Interest	681	-	681
Other	3,404	-	3,404
Total revenues	**88,079**	**24,845**	**112,924**
Expenditures			
General government			
Township board	12,949	-	12,949
Supervisor	6,458	-	6,458
Assessor	6,619	-	6,619
Clerk	6,336	-	6,336
Board of review	595	-	595
Treasurer	11,711	-	11,711
Elections	447	-	447
Buildings and grounds	15,471	-	15,471
Cemetery	3,169	-	3,169
Public safety	-	24,845	24,845
Parks and recreation	104	-	104
Total expenditures	**63,859**	**24,845**	**88,704**
Excess of revenues over (under) expenditures	**24,220**	**-**	**24,220**
Fund balance-beginning of year	150,245	-	150,245
Fund balance-end of year	**$ 174,465**	**$ -**	**$ 174,465**

See notes to financial statements.

Eden Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended March 31, 2006

Net changes in fund balances-total governmental funds	**$ 24,220**
Total change in net assets reported for governmerntal activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	401
Depreciation expense	(3,457)
Changes in net assets of governmental activities	**$ 21,164**

See notes to financial statements.

Eden Township

Fiduciary Funds
Statement of Net Assets
March 31, 2006

	Agency Funds
Assets	
Cash and cash equivalents	$ 44,327
Liabilities	
Due to other funds	$ 42,057
Due to other units of government	2,270
Total liabilities	$ 44,327

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Eden Township ("the Township") is a municipal entity governed by an elected Board. The Township, for financial purposes, includes all of the funds relevant to the operations of Eden Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Eden Township.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 (when applicable) even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to be available when they are collectible 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 of they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as well expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

> The General Fund is the government'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 Fire Fund accounts for revenue and expenditures for fire protection services provided by the township.
>
> The Township also has a fiduciary fund. The Current Tax Collection Fund accounts for property taxes and other deposits collected on behalf of other units and individuals. Fiduciary funds are custodial in nature and are not included in the government-wide financial statements.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Government Accounting Standards Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

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

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

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

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on December 1 on property values assessed as of December 31 of the prior year. Taxes are due on or before March 1, after which the taxes are considered delinquent and penalties and interest may be charged. All delinquent real property taxes are purchased by the county tax revolving fund so the Township collects 100% of the real property tax levy. Delinquent personal property tax is not material is recorded as collected.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost, if purchased or constructed. The reported value does not include normal maintenance and repairs that do not increase the capacity of or extend

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the useful life of the asset. In the case of donated assets, the government values the assets at estimated fair value of the assets as of the date of the donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5 to 10 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance (when applicable) for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent management plans that are subject to change.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The Township follows these budgeting procedures that are in accordance with Michigan Statutes. Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

1. Budgets are adopted for the General Fund and all Special Revenue Funds.

2. Budget appropriations are adopted before the beginning of each fiscal year.

3. Both budgeted and actual financial results cannot incur a deficit (including an available un-reserved surplus).

4. Amendments to the budget are made prior to over expenditures and before the fiscal year end.

5. Budgetary control is exercised at the activity level. The clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity require the approval of the Township board.

The Township does not use encumbrances. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office located in Michigan. Local units are allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. Also, United States government or federal agency obligations; reverse 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 any of 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 Board has authorized cash and cash equivalents to be in federally insured depository institutions. These cash accounts can be checking, savings, money markets, or certificates of deposit with original maturities of three months or less. Additionally, the Township Board specifically authorizes each depository institution.

At March 31, 2006, all cash and cash equivalents were on deposit with federally insured depository institutions. The bank balance was $132,408 as of March 31, 2006, $100,000 of which was covered by federal depository insurance and $32,408 was uninsured and unsecured.

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Statutes provides that a Township shall not incur expenditures in excess of the amount appropriated.

The unfavorable variances as shown on the Budgetary Comparison Schedules for the General Fund and Fire Fund are not considered material violations as described in Michigan Statute due to the conditions and events that gave rise to these variances and the adequacy of the budgetary system.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township carried commercial insurance to cover all risks of losses. The Township had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the primary government for the current year is as follows:

	Balance 04-01-05	Additions	Reductions	Balance 03-31-06
Land	$ 1,070	$ -	$ -	$ 1,070
Buildings and improvements	46,168	-	-	46,168
Equipment	31,033	400	-	31,433
Total depreciable assets	78,271	400	-	78,671
Less accumulated depreciation	(49,762)	(3,457)	-	(53,219)
Capital assets, net	$ 28,509	$ (3,057)	$ -	$ 25,452

Depreciation Expense - Governmental Activities:	
General Government	$ 3,457

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of March 31, 2006 are as follows:

	Due From Other Funds	Due to Other Funds
General fund		
Tax collection fund	$ 42,057	$ -
Tax collection fund		
General fund	-	42,057
Totals	$ 42,057	$ 42,057

NOTE 8 – JOINT FIRE DISTRICT

The township is member of the Sauble-Elk-Eden Fire Department. The Fire Department is a joint venture of Sauble, Elk, and Eden Townships. The department provides fire protection for the member townships. The department is funded by property taxes levied by the townships. Eden Township levied 1.7674 mills to support the fire department for the year ended March 31, 2006. The following financial information was taken from the Fire Department's audited financial statements as of March 31, 2005

Total assets	$ 203,037
Fund balance - unreserved	203,037
Total receipts	142,582
Total disbursements	57,081
Other financing uses	28,800
Net increase (decrease) in fund balance	56,701

Additional financial information can be obtained by contacting the Sauble-Elk-Eden Fire Department.

Required Supplementary Information

Eden Township

Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 51,973	$ 51,973	$ 56,932	$ 4,959
State sources	25,000	25,000	25,462	462
Charges for services	800	800	1,600	800
Interest	235	235	681	446
Other	-	-	3,404	3,404
Total revenues	**78,008**	**78,008**	**88,079**	**10,071**
Expenditures				
General government				
Township Board	15,000	15,000	12,949	2,051
Supervisor	8,000	8,000	6,458	1,542
Assessor	9,000	9,000	6,619	2,381
Clerk	8,000	8,000	6,336	1,664
Board of review	1,500	1,500	595	905
Treasurer	15,000	15,000	11,711	3,289
Elections	3,500	3,500	447	3,053
Building and grounds	40,000	40,000	15,471	24,529
Cemetery	4,000	4,000	3,169	831
Parks and recreation	1,000	1,000	104	896
Total expenditures	**105,000**	**105,000**	**63,859**	**41,141**
Excess of revenues over (under) expenditures	**$ (26,992)**	**$ (26,992)**	**24,220**	**$ 51,212**
Fund balance-beginning of year			150,245	
Fund balance-end of year			**$ 174,465**	

Eden Township

Budgetary Comparison Schedule
Fire Fund
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 24,800	$ 24,800	$ 24,845	$ 45
Expenditures				
Public safety	24,800	24,800	24,845	(45)
Excess of revenues over (under) expenditures	$ -	$ -	-	$ -
Fund balance-beginning of year			-	
Fund balance-end of year			$ -	

JAY THIEBAUT, P.C.
CERTIFIED PUBLIC ACCOUNTANT
222 Howard Street
P.O. Box 807
Telephone 231-775-0174 Cadillac, Michigan 49601 Fax 231-775-6451

To the Members of the Township Board
Eden Township
Wexford County, Michigan

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, no material weaknesses were noted.

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

Jay Thiebaut

Jay Thiebaut, P.C.
Certified Public Accountant

September 15, 2006