Township of Brockway

St. Clair County, Michigan

Audited Financial Report
March 31, 2006

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	Brockway Township	St. Clair County

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2006	June 19, 2006	November 22, 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		
Lehn L. King, C.P.A.	989-635-3113		
Street Address	**City**	**State**	**Zip**
3531 Main Street	Marlette	MI	48453
Authorizing CPA Signature	**Printed Name**	**License Number**	
	Lehn King	A248781	

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
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Members of the Township Board
Township of Brockway
St. Clair County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Brockway, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Brockway, Michigan'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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Brockway, Michigan 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.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Brockway, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2005.

Lehn King

Lehn L. King
Certified Public Accountant

June 19, 2006

Township of Brockway

Annual Financial Report
For The Fiscal Year Ended March 31, 2006

Table of Contents

	Page Number
I. Independent Audit Report	1
II. Management's Discussion & Analysis (Required Supplementary Information)	MDA 1-3
III. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Government Funds	
Balance Sheet	4
Reconciliation of Fund Balances to the Statement of Net Assets	5
Statement of Revenue, Expenditures, & Changes in Fund Balance	6
Reconciliation of the Statement of Revenue, Expenditures, & Changes In Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets (Deficit) Fiduciary Funds	8
Notes to Financial Statements	9-15
IV. Required Supplemental Information	16
Budgetary Comparison Schedule	
General Fund	17
Major Special Revenue Funds	18
V. Other Supplemental Information	19
Schedule of Indebtedness	20

Township of Brockway

Brockway, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Brockway's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of $366,700.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Brockway's fund balances are as follows:

	March 31, 2006
General Fund	$ 366,700
Fire Department Fund	10,348
Total for Township	$ 377,048

Township of Brockway
Brockway, Michigan

Governmental Activities

The Township of Brockway's Revenues and Expenditures can be summarized as follows:

	General Fund	Fire Department Fund	Total Governmental Activities
Fund Balance - Beginning of Year	$ 236,636	10,087	$ 246,723
Revenue Collected			
Intergovernmental Revenue	140,891	-	140,891
Property Taxes	276,777	-	276,777
Charges for Services	31,931	14,980	46,911
Transfers	5,000	-	5,000
Other	33,117	3,036	36,153
Total Revenue Collected	487,716	18,016	505,732
Expenditures			
General Government	92,191	-	92,191
Public Safety	83,976	12,756	96,732
Public Works	22,319	-	22,319
Recreation & Culture	8,422	-	8,422
Capital Outlay	20,655	-	20,655
Debt Service	130,088	-	130,088
Transfers	-	5,000	5,000
Total Expenditures	357,651	17,756	375,407
Fund Balance - End of Year	$ 366,701	10,347	$ 377,048

Township of Brockway
Brockway, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Brockway's 2006/2007 adopted budget is as follows:

	General Fund	Fire Department Fund
Balance Carried Forward	$ 69,002	$ 43,399
Revenue		
Intergovernmental Revenue	$ 140,300	$ -
Property Taxes	166,278	106,473
Charges for Services	32,200	6,500
Other	14,106	-
Total Revenue Collected	352,884	112,973
Expenditures		
General Government	132,000	-
Public Safety	64,300	167,500
Public Works	130,600	-
Recreation & Culture	26,000	-
Other Functions	-	-
Capital Outlay	-	-
Debt Service	-	-
Transfers	-	-
Total Expenditures	352,900	167,500
Net Over/Under Budget	$ 68,986	(11,128)

The Township of Brockway's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 7645 Sayles Rd, Yale, Michigan.

Carl Vermeesch
Township of Brockway Supervisor

Township of Brockway

Statement of Net Assets (Deficit)

March 31, 2006

	Primary Government Governmental Activities
Assets	
Cash & Cash Equivalents	$ 203,384.38
Property Tax Receivable	30,647.55
Due From Other Funds	150,373.18
Capital Assets (Net of Accumulated Depreciation)	1,880,133.74
Total Assets	2,264,538.85
Liabilities	
Accrued Payroll Taxes	$ 877.66
Due To Other Funds	6,479.52
Current Portion of Long-Term Debt	100,000.00
Noncurrent Liabilities:	
Long-Term Debt	785,890.00
Total Liabilities	893,247.18
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	994,243.74
Unrestricted	377,047.93
Total Net Assets (Deficit)	$ 1,371,291.67

The notes are an integral part of the statements.

Township of Brockway

Statement of Activities

For the Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Assets: Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 96,807.63	$ -	$ -	$ -	$ (96,807.63)
Public Safety	158,394.86	46,911.00	-	-	(111,483.86)
Public Works	22,319.28	-	-	-	(22,319.28)
Recreation & Culture	26,280.48	-	-	-	(26,280.48)
Interest on Long-Term Debt	35,088.16	-	-	-	(35,088.16)
Total Governmental Activities	$ 338,890.41	$ 46,911.00	$ -	$ -	(291,979.41)
General Revenues:					
Property Taxes					$ 276,777.20
Intergovernmental Revenues					140,890.80
Interest					7,896.51
Other Revenues					28,256.00
Transfers					-
Total General Revenues, Special Items & Transfers					453,820.51
Change in Net Assets					161,841.10
Net Assets (Deficit) - Beginning of Year					1,209,450.57
Net Assets (Deficit) - End of Year					$ 1,371,291.67

The notes are an integral part of the statements.

Township of Brockway

Governmental Funds
Balance Sheet
March 31, 2006

	General Fund	Fire Department Fund	Total Governmental Funds
Assets			
Cash & Certificates of Deposit	$ 193,036.85	$ 10,347.53	$ 203,384.38
Property Tax Receivable	30,647.55	-	30,647.55
Due From Other Funds	150,373.18	-	150,373.18
Total Assets	$ 374,057.58	$ 10,347.53	$ 384,405.11
Liabilities & Fund Equity			
Liabilities			
Accrued Payroll Taxes	$ 877.66	$ -	$ 877.66
Due To Other Funds	6,479.52	-	6,479.52
Total Liabilities	7,357.18	-	7,357.18
Fund Equity			
Fund Balances			
- Unreserved & Undesignated	366,700.40	10,347.53	377,047.93
Total Fund Balances	366,700.40	10,347.53	377,047.93
Total Liabilities & Fund Equity	$ 374,057.58	$ 10,347.53	$ 384,405.11

The notes are an integral part of the statements.

Township of Brockway

Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2006

Total Fund Balances for Governmental Funds	$ 377,047.93
Amounts reported for Governmental Activities in the Statement of Net Assets (Deficit) are different because:	
Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,880,133.74
Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(885,890.00)
Net Assets of Governmental Activities	$ 1,371,291.67

The notes are an integral part of the statements.

Township of Brockway

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

	General Fund	Fire Department Fund	Total Governmental Funds
Revenues			
Property Taxes	$ 276,777.20	$ -	$ 276,777.20
Intergovernmental Revenues	140,890.80	-	140,890.80
Charges for Services	31,931.00	14,980.00	46,911.00
Fire & Township Hall Rent	11,135.03	-	11,135.03
Interest Earnings	7,510.63	385.88	7,896.51
Other Revenues	14,470.73	2,650.24	17,120.97
Total Revenues	482,715.39	18,016.12	500,731.51
Expenditures			
General Government	92,190.81	-	92,190.81
Public Safety	83,975.89	12,755.76	96,731.65
Publies Works	22,319.28	-	22,319.28
Recreation & Culture	8,422.25	-	8,422.25
Capital Outlay	20,655.00	-	20,655.00
Debt Service - Principal	95,000.00	-	95,000.00
Debt Serviee - Interest	35,088.16	-	35,088.16
Total Expenditures	357,651.39	12,755.76	370,407.15
Excess of Revenues Over (Under) Expenditures	125,064.00	5,260.36	130,324.36
Other Financing Sources (Uses)			
Operating Transfers In (Out)	5,000.00	(5,000.00)	-
Net Change in Fund Balances	130,064.00	260.36	130,324.36
Fund Balances - Beginning of Year	236,636.40	10,087.17	246,723.57
Fund Balances - End of Year	$ 366,700.40	$ 10,347.53	$ 377,047.93

The notes are an integral part of the statements.

Township of Brockway

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

Net Change in Fund Balances - Total Governmental Funds	$ 130,324.36
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	20,655.00
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	95,000.00
Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	(84,138.26)
Net Assets of Governmental Activities	$ 161,841.10

The notes are an integral part of the statements.

Township of Brockway

Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2006

	Fiduciary Fund Types		
	Agency Funds		
	Trust & Agency Fund	Current Tax Collection Fund	Totals March 31, 2006
Assets			
Cash - Savings & Certificates	$ 18,720.48	$ 150,373.18	$ 169,093.66
Due From Other Funds	6,479.52	-	6,479.52
Total Assets	$ 25,200.00	$ 150,373.18	$ 175,573.18
Liabilities & Fund Balance			
Liabilities			
Due To Other Funds	$ -	$ 150,373.18	$ 150,373.18
Due To Others	25,200.00	-	25,200.00
Total Liabilities	25,200.00	150,373.18	175,573.18
Fund Balances			
Unreserved & Undesignated	-	-	-
Total Fund Balances	-	-	-
Total Liabilities & Fund Balances	$ 25,200.00	$ 150,373.18	$ 175,573.18

The notes are an integral part of the statements.

The accounting methods and procedures adopted by the Township of Brockway, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, 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.

The Township reports the following major governmental funds:

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

Fire Department Fund – The fund accounts for the operation of the fire department. Funding is provided primarily through fire runs and donations.

Additionally, the Township reports the following fund types:

Trust & Agency Funds - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

Current Tax Collection Fund – The fund accounts for the collection and disbursement of taxes.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Infrastructure	40 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.

2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.

3. The budgets must be amended when necessary.

4. Debt cannot be entered into unless permitted by law.

5. Expenditures cannot exceed budget appropriations.

6. Expenditures cannot be made unless authorized in the budget.

7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Eleetions	$ 837	$ 1,098	$ 261
Planning	12,214	12,939	725
Public Works	21,405	22,319	914
Capital Outlay	-	20,655	20,655
Fire Department Fund			
Public Safety	-	12,756	12,756

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. There was an investment policy adopted by the Board in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts, CDs, and pooled money market accounts if the bank meets the criteria as a depository of public funds contained in state law, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

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

	Governmental Activities	Fiduciary - Trust & Agency Funds	Total Primary Government
Cash & Cash Equivalents	$ 203,384	$ 169,094	$ 372,478

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	$ 372,478

The bank balance of the primary government's deposits is $372,478, of which $187,665 is covered by federal depository insurance and $-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	Category			Carrying
	(1)	(2)	(3)	Value
Investments	$ NONE	$ NONE	$ NONE	$ NONE

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and may be paid by the following February 14.

The Township levied the following taxes:

General Government Services	.8399 mills
Roads	1.8000 mills
Fire	1.9052 mills

5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	Balance April 1, 2005	Additions	Disposals & Adjustments	Balance March 31, 2006
Governmental Activities:				
Capital Assets Not Being Depreciated	$ 7,200	$ -	$ -	$ 7,200
Capital Assets Being Depreciated:				
Buildings & Improvements	$ 1,811,858	$ -	$ -	$ 1,811,858
Machinery & Equipment	747,233	20,655	-	767,888
Total Capital Assets being Depreciated	2,559,091	20,655	-	2,579,746
Accumulated Depreciation:				
Buildings & Improvements	118,450	39,809	-	158,259
Machinery & Equipment	504,224	44,329	-	548,553
Total Accumulated Depreciation	622,674	84,138	-	706,812
Net Capital Assets	$ 1,943,617	$ (63,483)	$ -	$ 1,880,134

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	$ 4,617
Public Safety	61,663
Recreation & Culture	17,858
Total Governmental Activities	$ 84,138

6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

7. Comparative Data

Comparative total data for the prior year has not been presented.

8. Long -Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
2003 Fire Hall Project Amount of Issue - $995,000 Maturing through 2013	3.70%	$90,000 - $120,000	$ 915,000	$ (85,000)	$ 830,000	$ 90,000
Township Park Improvements Amount of Issue - $99,000 Maturing through 2012	4.50%	$10,000	65,890	(10,000)	55,890	10,000
Total Governmental Activities			$ 980,890	$ (95,000)	$ 885,890	$ 100,000

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2007	$ 105,000	$ 29,727	$ 134,727
2008	105,000	25,719	130,719
2009	110,000	21,709	131,709
2010	115,000	17,515	132,515
2011	125,890	13,137	139,027
2012	115,000	6,568	121,568
2013	120,000	2,220	122,220
Total	$ 795,890	$ 116,595	$ 912,485

9. Post Employment Benefits

The Township does not provide any post employment benefits other than the deferred compensation benefits.

10. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township's financial statements.

11. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Brockway

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Taxes	$ 161,636.00	$ 161,636.00	$ 276,777.20	$ 115,141.20
State Shared Revenues	135,000.00	135,000.00	133,686.00	(1,314.00)
County Park Millage	6,900.00	6,900.00	7,204.80	304.80
Charges for Services	34,900.00	34,900.00	31,931.00	(2,969.00)
Fire & Township Hall Rent	9,650.00	9,650.00	11,135.03	1,485.03
Interest Earnings	5,000.00	5,000.00	7,510.63	2,510.63
Other Revenues	4,800.00	4,800.00	14,470.73	9,670.73
Total Revenues	357,886.00	357,886.00	482,715.39	124,829.39
Expenditures				
General Government				
Township Board	29,900.00	40,104.33	26,909.00	13,195.33
Supervisor	10,000.00	10,000.00	10,000.00	-
Elections	-	836.67	1,097.53	(260.86)
Assessor	14,500.00	14,500.00	13,867.50	632.50
Clerk	14,500.00	14,143.94	13,652.54	491.40
Board of Review	1,500.00	1,500.00	850.00	650.00
Treasurer	13,200.00	12,013.85	12,013.85	-
Township Hall Expense	19,100.00	15,406.36	12,555.39	2,850.97
Cemetery Expense	1,000.00	1,245.00	1,245.00	-
Total General Government	103,700.00	109,750.15	92,190.81	17,559.34
Public Safety				
Fire Protection	38,300.00	55,188.64	48,952.52	6,236.12
Protective Inspection	23,250.00	23,250.00	21,584.37	1,665.63
Planning	21,350.00	12,214.00	12,939.00	(725.00)
Board of Appeals	1,250.00	500.00	500.00	-
Total Public Safety	84,150.00	91,152.64	83,975.89	7,176.75
Public Works - Roads & Drains	36,000.00	21,405.00	22,319.28	(914.28)
Recreation & Cultnre	6,900.00	8,442.21	8,422.25	19.96
Capital Outlay	-	-	20,655.00	(20,655.00)
Debt Service - Principal	95,000.00	95,000.00	95,000.00	-
Debt Service - Interest	36,000.00	36,000.00	35,088.16	911.84
Total Expenditures	361,750.00	361,750.00	357,651.39	4,098.61
Excess of Revenues Over (Under) Expenditures	(3,864.00)	(3,864.00)	125,064.00	128,928.00
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	-	5,000.00	5,000.00
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	(3,864.00)	(3,864.00)	130,064.00	133,928.00
Fund Balance - Beginning of Year	107,645.92	107,645.92	236,636.40	128,990.48
Fund Balance - End of Year	$ 103,781.92	$ 103,781.92	$ 366,700.40	$ 262,918.48

Township of Brockway

Required Supplemental Information
Budgetary Comparison Schedule
Fire Department Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Charges for Service	$ -	$ -	$ 14,980.00	$ 14,980.00
Interest Earnings	-	-	385.88	385.88
Other Revenues	-	-	2,650.24	2,650.24
Total Revenues	-	-	18,016.12	18,016.12
Expenditures				
Public Safety	-	-	12,755.76	(12,755.76)
Total Expenditures	-	-	12,755.76	(12,755.76)
Excess of Revenues Over (Under) Expenditures	-	-	5,260.36	5,260.36
Other Financing Sources				
Operating Transfers In (Out)	-	-	(5,000.00)	(5,000.00)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	-	-	260.36	260.36
Fund Balance - Beginning of Year	-	-	10,087.17	10,087.17
Fund Balance - End of Year	$ -	$ -	$ 10,347.53	$ 10,347.53

Other Supplemental Information

Township of Brockway

Other Supplemental Information
Schedule of Indebtedness
March 31, 2006

2003 Township Fire Hall Bonds - Bank of New York

Dated: January 13, 2003
Original Issue $995,000

Interest Rate	Date of Maturity	Principal Outstanding March 31, 2006	Principal Outstanding March 31, 2005	Annual Interest Payable
3.70%	04/01/05	$ -	$ 85,000	$ -
3.70%	10/01/05	-	-	-
3.70%	04/01/06	90,000	90,000	15,355
3.70%	10/01/06	-	-	13,690
3.70%	04/01/07	95,000	95,000	13,690
3.70%	10/01/07	-	-	11,933
3.70%	04/01/08	95,000	95,000	11,933
3.70%	10/01/08	-	-	10,175
3.70%	04/01/09	100,000	100,000	10,175
3.70%	10/01/09	-	-	8,325
3.70%	04/01/10	105,000	105,000	8,325
3.70%	10/01/10	-	-	6,383
3.70%	04/01/11	110,000	110,000	6,383
3.70%	10/01/11	-	-	4,348
3.70%	04/01/12	115,000	115,000	4,348
3.70%	10/01/12	-	-	2,220
3.70%	04/01/13	120,000	120,000	2,220
Total Bonds Payable		$ 830,000	$ 915,000	$ 129,503

Commercial Loan for Township Park Equipment & Improvements

Dated: January 4, 2004
Original Issue $99,000

Interest Rate	Date of Maturity	Principal Outstanding March 31, 2006	Principal Outstanding March 31, 2005	Annual Interest Payable
4.50%	07/01/05	$ -	$ 10,000	$ -
4.50%	01/01/06	-	-	-
4.50%	07/01/06	10,000	10,000	1,235
4.50%	01/01/07	-	-	1,112
4.50%	07/01/07	10,000	10,000	988
4.50%	01/01/08	-	-	865
4.50%	07/01/08	10,000	10,000	741
4.50%	01/01/09	-	-	618
4.50%	07/01/09	10,000	10,000	494
4.50%	01/01/10	-	-	371
4.50%	07/01/10	10,000	10,000	247
4.50%	01/01/12	5,890	5,890	124
Total Loan Payable		$ 55,890	$ 65,890	$ 6,795
Total Bonds & Loans Payable		$ 885,890	$ 980,890	$ 136,298

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

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June 19, 2006

Members of the Township Board
Township of Brockway
St. Clair County, Michigan

In accordance with your request, I have made an examination of the financial statements of Township of Brockway for the fiscal year ended March 31, 2006. During the course of my examination the following item came to my attention:

1. The expenditures for the party that the fire department has for the firemen were illegal expenditures according to *Bulletin for Audits of Local Units of Government in Michigan.*

From an overall viewpoint, the Township of Brockway is in good financial condition. I thank the Township officials for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant