

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CLARENDON TOWNSHIP	County CALHOUN
Audit Date 3/31/05	Opinion Date 6/9/05	Date Accountant Report Submitted to State: 9/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DOVE & HICKEY, P.L.C.			
Street Address 209 E. WASHINGTON AVE., STE 255	City JACKSON	State MI	ZIP 49201
Accountant Signature <i>Dove & Hickey, P.L.C.</i>		Date 9/22/05	

CLARENDON TOWNSHIP
CALHOUN COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended March 31, 2005

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Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Township Board
Clarendon Township
Calhoun County, Michigan

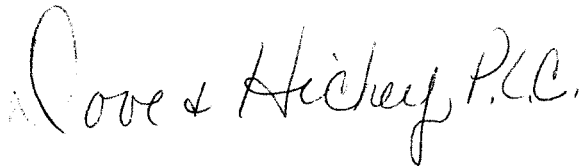
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarendon Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clarendon 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 in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarendon Township as of March 31, 2005, 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 6 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, as of March 31, 2005.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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. Clarendon Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the financial statements.



June 9, 2005

CLARENDON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$113,531
Receivables:	
Taxes	4,990
Due from other governmental units	11,851
Prepaid expenses	7,390
Capital assets - net	<u>12,787</u>
Total assets	<u>150,549</u>
<u>LIABILITIES:</u>	
Accrued taxes payable	443
Due to libraries	<u>3,952</u>
Total liabilities	<u>4,395</u>
<u>NET ASSETS:</u>	
Invested in capital assets	12,787
Unrestricted	<u>133,367</u>
Total net assets	<u>\$146,154</u>

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2005

<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>
GOVERNMENTAL ACTIVITIES:				
General government	\$ 87,912	\$ 7,695	\$ 50	\$ -0-
Public Safety	51,674	-0-	-0-	-0-
Public works	2,231	-0-	-0-	-0-
Health and welfare	3,099	-0-	-0-	-0-
Community and economic development	8,741	3,210	-0-	-0-
Recreation and culture	<u>26,629</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>\$180,286</u>	<u>\$ 10,905</u>	<u>\$ 50</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes
State-shared revenues
Investment earnings
Miscellaneous
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING
OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense)
Revenue
and Changes
in Net Assets

Governmental
Activities

(\$ 80,167)
(51,674)
(2,231)
(3,099)

(5,531)
(26,629)

(169,331)

61,093
80,699
1,245
349
143,386

(25,945)

172,099

\$146,154

CLARENDON TOWNSHIP
BALANCE SHEET -
GOVERNMENTAL FUNDS
March 31, 2005

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$111,760	\$ 1,771	\$113,531
Receivables:			
Taxes	2,809	2,181	4,990
Due from other governments	11,851	-0-	11,851
Prepaid expenses	<u>7,390</u>	<u>-0-</u>	<u>7,390</u>
Total assets	<u>\$133,810</u>	<u>\$ 3,952</u>	<u>\$137,762</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accrued taxes payable	\$ 443	\$ -0-	\$ 443
Due to libraries	<u>-0-</u>	<u>3,952</u>	<u>3,952</u>
Total liabilities	<u>443</u>	<u>3,952</u>	<u>4,395</u>
Fund balances:			
Unreserved, reported in:			
Major Funds	<u>133,367</u>	<u>-0-</u>	<u>133,367</u>
Total fund balances	<u>133,367</u>	<u>-0-</u>	<u>133,367</u>
Total liabilities and fund balances	<u>\$133,810</u>	<u>\$ 3,952</u>	<u>\$137,762</u>

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
March 31, 2005

Fund balances - total Governmental funds	\$133,367
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>12,787</u>
Net assets of governmental activities	<u>\$146,154</u>

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended March 31, 2005

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes and penalties	\$ 35,559	\$ 24,858	\$ 60,417
Licenses and permits	7,881	-0-	7,881
State sources	80,699	-0-	80,699
Charges for services	3,700	-0-	3,700
Interest	1,245	-0-	1,245
Other revenues	<u>399</u>	<u>-0-</u>	<u>399</u>
Total revenues	<u>129,483</u>	<u>24,858</u>	<u>154,341</u>
EXPENDITURES:			
Current:			
General government	71,080	-0-	71,080
Public safety	51,674	-0-	51,674
Public works	2,231	-0-	2,231
Health and welfare	3,099	-0-	3,099
Community and economic development	8,741	-0-	8,741
Recreation and culture	1,771	24,858	26,629
Other	<u>15,944</u>	<u>-0-</u>	<u>15,944</u>
Total expenditures	<u>154,540</u>	<u>24,858</u>	<u>179,398</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,057)	-0-	(25,057)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>158,424</u>	<u>-0-</u>	<u>158,424</u>
FUND BALANCES - END OF YEAR	<u>\$133,367</u>	<u>\$ -0-</u>	<u>\$133,367</u>

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
March 31, 2005

Net change in fund balance - total Governmental funds	(\$ 25,057)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets reported as part of governmental activities	<u> (888)</u>
Changes in net assets of governmental activities	(\$ <u>25,945</u>)

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Clarendon Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. All 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.

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 except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Library Fund - The Library Fund is used to account for the use of property taxes received under a specially voted millage to support the Homer Public Library and Tekonsha Township Public Library.

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 or contradict guidance of the Governmental Accounting Standards Board.

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

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

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$2,671,761 on which ad valorem taxes levied consisted of .8789 mills for operating purposes and .9255 mills for public libraries. This resulted in \$23,610 for operating and \$24,858 for libraries, recognized in the Library Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

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 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.

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

Buildings	50 years
Furnishings and equipment	3 to 7 years

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Supervisor	\$ 15,300	\$ 15,826	(\$ 526)
Township Board	600	900	(300)
Treasurer	15,011	15,138	(127)
Health and welfare	1,768	3,099	(1,331)
Community and economic development	8,500	8,741	(241)
Recreation and culture	-0-	1,771	(1,771)
Other	14,000	15,944	(1,944)
Library Fund:			
Recreation and culture	-0-	24,858	(24,858)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments approved by the State statutory authority as listed above.

CLARENDON TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2005

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

	Governmental Activities
Cash and cash equivalents	\$113,531
Investments	-0-
Total	\$113,531

The breakdown between deposits and investments for Clarendon Township is as follows:

	Primary Government
Bank deposits (checking accounts, savings accounts, and certificates of deposits)	\$113,531
Total	\$113,531

The bank balance of the primary government's deposits is \$113,995 of which \$113,995 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

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

The Township did not have any categorized investments.

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

4. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>9,533</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>9,533</u>
Capital assets being depreciated:				
Buildings	10,000	-0-	-0-	10,000
Furniture and equipment	<u>9,411</u>	<u>-0-</u>	<u>-0-</u>	<u>9,411</u>
Total capital assets being depreciated	<u>19,411</u>	<u>-0-</u>	<u>-0-</u>	<u>19,411</u>
Less: accumulated depreciation:				
Buildings and improvements	10,000	-0-	-0-	10,000
Furniture and equipment	<u>5,269</u>	<u>888</u>	<u>-0-</u>	<u>6,157</u>
Total accumulated depreciation	<u>15,269</u>	<u>888</u>	<u>-0-</u>	<u>16,157</u>
Total capital assets being depreciated - net	<u>4,142</u>	<u>(888)</u>	<u>-0-</u>	<u>3,254</u>
Total capital assets - net	\$ <u>13,675</u>	(\$ <u>888</u>)	\$ <u>-0-</u>	\$ <u>12,787</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ <u>888</u>
Total governmental activities	\$ <u>888</u>

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

5. RISK MANAGEMENT

Clarendon Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury and medical claims, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

6. ACCOUNTING AND REPORTING CHANGE

As of and for the year ended March 31, 2005, the Township implemented Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Clarendon Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds
- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Township's capital assets at the date.

CLARENDON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

6. ACCOUNTING AND REPORTING CHANGE (Continued)

As a result of implementing GASB 34 for the year ended March 31, 2005, the following restatements were made to the net asset accounts:

	<u>Governmental Activities</u>
Equity at March 31, 2004, as previously reported	\$158,424
Effect of recording full accrual information on the government-wide statements:	
Capital assets	<u>13,675</u>
Net assets - April 1, 2004	<u>\$172,099</u>

REQUIRED SUPPLEMENTAL INFORMATION

CLARENDON TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES:				
Taxes and penalties	\$ 29,365	\$ 29,365	\$ 35,559	\$ 6,194
Licenses and permits	6,600	6,600	7,881	1,281
State sources	65,853	65,853	80,699	14,846
Charges for services	5,550	5,550	3,700	(1,850)
Interest	2,569	2,569	1,245	(1,324)
Other revenues	<u>275</u>	<u>275</u>	<u>399</u>	<u>124</u>
Total revenues	<u>110,212</u>	<u>110,212</u>	<u>129,483</u>	<u>19,271</u>
EXPENDITURES:				
General government:				
Township Board	5,000	5,000	4,859	141
Supervisor	15,300	15,300	15,826	(526)
Elections	6,500	4,732	1,902	2,830
Clerk	8,600	8,600	8,435	165
Tax roll preparation	4,000	4,000	1,815	2,185
Board of Review	600	600	900	(300)
Treasurer	9,050	15,011	15,138	(127)
Cemetery	22,700	22,700	21,962	738
Township Hall	1,200	1,200	213	987
Legal	2,000	2,000	30	1,970
Public Safety	52,000	52,000	51,674	326
Public Works	3,227	3,227	2,231	996
Health and welfare	-0-	1,768	3,099	(1,331)
Community and economic development	4,500	8,500	8,741	(241)
Recreation and culture	-0-	-0-	1,771	(1,771)
Other	<u>14,000</u>	<u>14,000</u>	<u>15,944</u>	<u>(1,944)</u>
Total expenditures	<u>148,677</u>	<u>158,638</u>	<u>154,540</u>	<u>4,098</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,465)	(48,426)	(25,057)	23,369
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>106,748</u>	<u>106,748</u>	<u>158,424</u>	<u>51,676</u>
FUND BALANCE - END OF YEAR	<u>\$ 68,283</u>	<u>\$ 58,322</u>	<u>\$133,367</u>	<u>\$ 75,045</u>

See accompanying notes to financial statements.

CLARENDON TOWNSHIP
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
 Year Ended March 31, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Property taxes	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>24,858</u>	\$ <u>24,858</u>
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>24,858</u>	<u>24,858</u>
EXPENDITURES:				
Recreation and culture	<u>-0-</u>	<u>-0-</u>	<u>24,858</u>	<u>(24,858)</u>
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>24,858</u>	<u>(24,858)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

July 20, 2005

Township Board
Clarendon Township
Homer, Michigan

Board Members:

In planning and performing our audit of the financial statements of Clarendon Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 9, 2005, on the financial statements of Clarendon Township. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

Board Minutes

The minutes are the permanent record of the Board's decisions. All items of importance involving the Township should be discussed at Board meetings and recorded in the minutes. When the Board approves the next year's budget, at a minimum the minutes should include the amount of the budget's total revenues and expenditures and the total number of mills of ad valorem property taxes to be levied and the purposes for which it is levied. We suggest that the Township consider adopting the budget using the General Appropriations Act Resolution. A copy can be found on the MTA's website.

The minutes state that bills were presented and paid, but there is no detail as to what was approved for payment. At a minimum the minutes should list the beginning and ending check numbers and total amount approved for payment.

Capitalization Policy

We suggest that the Township Board adopt a capitalization policy for fixed assets. The policy should include the minimum cost of assets purchased to be accounted for in the equipment expenditure account. These assets will be capitalized and depreciated in the GASB 34 financial statements.

Budget

As commented in the last audit, when the Township passed the millage election for the Library Support, a new Special Revenue fund was formed. The Township is required to budget for this fund. During the audit again we noted that this has not been done. The budget would simply have revenue equal to the estimated property taxes levied and the expenditures to the two libraries for the same amount.

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township overspent the budget in several activities. The budget is the official means of approving expenditures. To be in compliance with State law, the budget must be amended prior to overspending a budgeted activity. When making an amendment please note the account number of the activity in the Board minutes so that there is no confusion as to which activity is being amended.

Accounting Procedures

During the audit, we noticed that bank reconciliations had not been done. According to the Michigan Department of Treasury Uniform Accounting Procedures Manual, "All bank accounts must be reconciled to the local unit accounting records monthly. The Clerk's record must agree with or reconcile to the Treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the Clerk and one copy for the Treasurer." The Treasurer should prepare bank reconciliations monthly. Cash balances include certificates of deposit as well as checking accounts.

Financial Records

MCL 41.65 requires the Clerk to record the revenues and expenditures paid out by the Treasurer, and prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund in the Township. During our audit we had a difficult time obtaining year-end account balances because the ledgers did not agree with the journals. We suggest that the Clerk balance her ledger monthly. By balancing monthly it is easier to find math errors, posting errors and omissions. This will also help the Clerk to notify the Board when it is time to make timely budget amendments. We would be available in non-audit years to assist the Clerk in balancing and closing the Township books so that she would have a good start for the audit year.

Per the Michigan Department of Treasury Uniform Accounting Procedures Manual, "All functions (i.e. deposit, write checks, issue checks, reconcile account) regarding a checking account should NOT be performed by the same individual." We noted during the audit that the Treasurer is performing all of these functions. We suggest that the Clerk prepare the warrant/checks and present them at the Board meetings, which is common practice in most Townships.

Record Retention

According to the Michigan Department of Treasury Uniform Accounting Procedures Manual, an internal control requirement for disbursements include that "actual checks must be returned to the local unit." The Township did not have the cancelled checks available for the audit year. The Township must begin receiving the cancelled checks from the bank as soon as possible.

Property Taxes

The State of Michigan requires that Townships with state equalized value of over \$15,000,000, disburse property tax collections within 10 business days of the first and 15th day of each month that taxes are collected. During the audit we noted several instances when taxes were disbursed more than 10 business days after they were receipted. Care should be taken to insure the property taxes are disbursed to the appropriate local unit.

We also noted during the audit that the Township has not disbursed the delinquent library taxes received from the County for the tax years 2003 and 2004. We suggest that the Township disburse \$3,161.28 to Homer Public Library and \$790.33 to Tekonsha Public Library.

We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Township Board, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully yours,

Dove + Hickey, P.C.C.