

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 Vernon Township	County Isabella
Audit Date 3/31/04	Opinion Date 6/14/04	Date Accountant Report Submitted to State: July 23, 2004	

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) BAIRD, COTTER AND BISHOP, P.C.			
Street Address 134 W. HARRIS STREET		City CADILLAC	State MI
		ZIP 49601	
Accountant Signature 		Date 7/21/04	

VERNON TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

MARCH 31, 2004

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MARCH 31, 2004

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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

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Baird, Cotter and Bishop, P.C.

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MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

We have audited the accompanying general-purpose financial statements of Vernon Township, Isabella County, Clare, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances and general fixed asset balances of Vernon Township, Isabella County, Clare, Michigan as of March 31, 2004, and the cash receipts it received, cash disbursements it paid and changes in general fixed assets and cash flows of its nonexpendable trust fund for the year then ended on the basis of accounting described in Note I.B.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES AND ACCOUNT GROUP
MARCH 31, 2004

	GOVERNMENTAL FUND TYPES	
ASSETS	GENERAL	SPECIAL REVENUE
Cash		
Money Market Account	\$ 29,971	\$ 61,143
Certificates of Deposit	30,000	0
Taxes Receivable	107	0
Land and Buildings	0	0
Machinery and Equipment	0	0
TOTAL ASSETS	\$ 60,078	\$ 61,143
<u>LIABILITIES AND EQUITY</u>		
<u>LIABILITIES</u>		
Payroll Withholdings	\$ 565	\$ 0
Deferred Revenue	107	0
Total Liabilities	\$ 672	\$ 0
<u>EQUITY</u>		
Investment in General Fixed Assets	\$ 0	\$ 0
Balance		
Reserved for		
Street Lighting	0	1,449
Garbage and Rubbish Collection	0	59,694
Cemetery Perpetual Care	0	0
Unreserved		
Undesignated	59,406	0
Total Equity	\$ 59,406	\$ 61,143
TOTAL LIABILITIES AND EQUITY	\$ 60,078	\$ 61,143

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>TRUST AND AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	
\$ 126	\$ 0	\$ 91,240
20,954	0	50,954
0	0	107
0	34,602	34,602
0	7,613	7,613
<u>\$ 21,080</u>	<u>\$ 42,215</u>	<u>\$ 184,516</u>
\$ 0	\$ 0	\$ 565
0	0	107
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 672</u>
\$ 0	\$ 42,215	\$ 42,215
0	0	1,449
0	0	59,694
21,058	0	21,058
0	0	0
22	0	59,428
<u>\$ 21,080</u>	<u>\$ 42,215</u>	<u>\$ 183,844</u>
<u>\$ 21,080</u>	<u>\$ 42,215</u>	<u>\$ 184,516</u>

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		TOTALS (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	
<u>RECEIPTS</u>			
Taxes	\$ 26,947	\$ 68,415	\$ 95,362
Licenses and Permits	1,191	0	1,191
State Grants	95,480	0	95,480
Charges for Services	15	0	15
Interest and Rents	820	0	820
Other Receipts	5,059	0	5,059
Total Receipts	<u>\$ 129,512</u>	<u>\$ 68,415</u>	<u>\$ 197,927</u>
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 4,152	\$ 0	\$ 4,152
General Government			
Supervisor	7,739	0	7,739
Election	80	0	80
Assessor	9,332	0	9,332
Clerk	9,528	0	9,528
Board of Review	1,369	0	1,369
Treasurer	10,348	0	10,348
Building and Grounds	2,199	0	2,199
Cemetery	1,891	0	1,891
Public Safety	19,399	0	19,399
Public Works	49,493	63,707	113,200
Recreation and Cultural	1,828	0	1,828
Other Functions	9,891	0	9,891
Total Disbursements	<u>\$ 127,249</u>	<u>\$ 63,707</u>	<u>\$ 190,956</u>

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(MEMORANDUM ONLY)</u>
Excess of Receipts Over (Under) Disbursements	\$ 2,263	\$ 4,708	\$ 6,971
<u>BALANCE</u> - April 1, 2003	57,143	56,435	113,578
<u>BALANCE</u> - March 31, 2004	\$ 59,406	\$ 61,143	\$ 120,549

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 26,500	\$ 26,947	\$ 447
Licenses and Permits	0	1,191	1,191
State Grants	97,750	95,480	(2,270)
Charges for Services	25	15	(10)
Interest and Rents	2,400	820	(1,580)
Other Receipts	3,300	5,059	1,759
Total Receipts	\$ 129,975	\$ 129,512	\$ (463)
 <u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 5,000	\$ 4,152	\$ 848
General Government			
Supervisor	7,947	7,739	208
Election	1,000	80	920
Assessor	15,000	9,332	5,668
Clerk	9,947	9,528	419
Board of Review	1,500	1,369	131
Treasurer	9,947	10,348	(401)
Building and Grounds	6,000	2,199	3,801
Cemetery	2,400	1,891	509
Public Safety	25,500	19,399	6,101
Public Works	61,650	49,493	12,157
Recreation and Cultural	2,100	1,828	272
Other Functions	10,150	9,891	259
Contingency	29,461	0	29,461
Total Disbursements	\$ 187,602	\$ 127,249	\$ 60,353

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

SPECIAL REVENUE FUND TYPES		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 66,250	\$ 68,415	\$ 2,165
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
\$ 66,250	\$ 68,415	\$ 2,165
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
66,250	63,707	2,543
0	0	0
0	0	0
0	0	0
\$ 66,250	\$ 63,707	\$ 2,543

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Excess of Receipts Over (Under) Disbursements	\$ (57,627)	\$ 2,263	\$ 59,890
<u>BALANCE</u> - April 1, 2003	57,627	57,143	(484)
<u>BALANCE</u> - March 31, 2004	\$ 0	\$ 59,406	\$ 59,406

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

SPECIAL REVENUE FUND TYPES		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 0	\$ 4,708	\$ 4,708
56,435	56,435	0
\$ 56,435	\$ 61,143	\$ 4,708

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
NONEXPENDABLE TRUST FUND

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Charges for Services	
Cemetery Lot Sales	\$ 250
Interest and Rents	
Interest Earnings	<u>601</u>
Total Receipts	\$ 851

DISBURSEMENTS

Excess of Receipts Over (Under) Disbursements	\$ 851
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<u>BALANCE</u> - April 1, 2003	<u>20,207</u>
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<u>BALANCE</u> - March 31, 2004	<u><u>\$ 21,058</u></u>
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The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND

FOR THE YEAR ENDED MARCH 31, 2004

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
Cash Flows from Operating Activities	
Excess of Receipts Over (Under) Disbursements	\$ 851
<u>CASH AND CASH EQUIVALENTS</u> - April 1, 2003	<u>20,207</u>
<u>CASH AND CASH EQUIVALENTS</u> - March 31, 2004	<u>\$ 21,058</u>

The accompanying notes are an integral part of these financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Vernon Township is a general law township located in Isabella County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for these funds which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund types:

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

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Fiduciary Funds include the following fund types:

Nonexpendable Trust Fund

The Cemetery Perpetual Care Fund accounts for receipts from the sale of cemetery lots, the principal of which is an endowment, and the interest earnings are used for cemetery operations. The Nonexpendable Trust Fund also uses the modified cash basis of accounting.

Agency Fund

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or three months or less from date of acquisition.

The investment policy adopted by the Township states that the Vernon Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Certificates of Deposits
- b. Checking accounts
- c. Money market accounts

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property tax. This receivable is offset by a deferred revenue liability account so that income is only recognized when cash is received. The only other liability recorded is for unremitted payroll withholdings.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

3. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Fund Equity

Reservations of equity represent amounts that are not appropriable or are legally segregated for a specific purpose.

5. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

6. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township 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 receipts and disbursements during the reporting period. Actual results could differ from those estimates.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 29, 2003, or as amended by the board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's deposits was \$142,194 and the bank balance was \$157,367. Of the bank balance, \$151,058 was covered by federal depository insurance. The remaining \$6,309 are in accounts which exceed the federal depository insurance of \$100,000 and are also uncollateralized.

The Township's carrying amount of deposits at year-end are shown below:

	<u>TOTAL</u>
First Bank	
Mt. Pleasant, Michigan	
Money Market Accounts	\$ 104
Certificates of Deposit	20,954
Chemical Bank	
Clare, Michigan	
Commercial Account	22
Money Market Account	91,114
Isabella Bank and Trust	
Mt. Pleasant, Michigan	
Certificates of Deposit	<u>30,000</u>
	\$ <u>142,194</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

B. Fixed Assets

Activity in the general fixed assets account group for the township for the year ended March 31, 2004, was as follows:

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Buildings	\$ 34,602	\$ 0	\$ 0	\$ 34,602
Machinery and Equipment	7,613	0	0	7,613
	\$ 42,215	\$ 0	\$ 0	\$ 42,215

C. Garbage and Rubbish Collection Fund

The Township Board approved the placing of an annual special assessment on the tax roll to finance the cost of house-to-house trash pickup. The transactions accounting for the income and expenses related to the trash pickup are reflected in a separate fund established by the Township labeled “Garbage and Rubbish Collection Fund.”

D. Street Lighting Fund

The Township Board approved the placing of an annual special assessment on the tax roll to finance the cost of street lights. The assessment is levied on those properties directly benefiting from the street lights. The transactions accounting for the income and expenses related to the street lighting are reflected in the “Street Lighting Fund.”

IV. OTHER INFORMATION

A. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance which covers all elected officials. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 or if later, after 10 years of participation in the plan.

The formula for determining contributions is based on an employee's annual compensation. The Township contributions to the plan are based on a graduated scale based on the level of compensation.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Township contributions to the plan for 2003-2004 amounted to \$5,068. In addition, the Township paid \$422 in account service fees.

Total wages for those covered under the plan was \$25,339 and total wages for all employees including noncovered payroll was \$26,720.

B. Property Taxes

The Township levied .9738 mills for general operating purposes on a taxable value of \$27,785,987. The Township also levied a special assessment for Garbage and Rubbish Collection and for Street Lighting.

Properties are assessed January 1 and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14, with a final collection date of February 28, before they are added to the County tax rolls. Property taxes levied December 1, which are collected and paid out of the Tax Collection Fund prior to the end of the fiscal year are recognized as income in the year in which they are levied.

C. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense was as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 820	\$ 0
Cemetery Perpetual Care Fund	601	0
TOTAL	\$ 1,421	\$ 0

D. 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; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

E. Fire Protection Contracts

An agreement was entered into between the City of Clare and the Township for fire protection. The agreement's terms call for the Township to pay each year an amount equal to .9 mill of taxable valuation of all property in the area covered by the agreement. During the fiscal year April 1, 2003 to March 31, 2004 the Township paid 3/4 of the calendar year 2003 expense totaling \$12,407.

The Township also has an agreement for fire protection for a portion of the Township with the Isabella N.E. Fire District. The amount paid under this agreement for the 2003-2004 year was \$6,992.

F. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee for the summer tax rolls on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the township board.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash		
Money Market Account	\$	29,971
Certificates of Deposit		30,000
Taxes Receivable		<u>107</u>
 TOTAL ASSETS	 \$	 <u><u>60,078</u></u>

LIABILITIES AND EQUITY

LIABILITIES

Payroll Withholdings	\$	565
Deferred Revenue		<u>107</u>
 Total Liabilities	 \$	 672

EQUITY

Balance		
Unreserved		
Undesignated		<u>59,406</u>

 TOTAL LIABILITIES AND EQUITY	 \$	 <u><u>60,078</u></u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 26,500	\$ 26,947	\$ 447
Licenses and Permits	0	1,191	1,191
State Grants	97,750	95,480	(2,270)
Charges for Services	25	15	(10)
Interest and Rents	2,400	820	(1,580)
Other Receipts	3,300	5,059	1,759
Total Receipts	\$ 129,975	\$ 129,512	\$ (463)
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 5,000	\$ 4,152	\$ 848
General Government			
Supervisor	7,947	7,739	208
Election	1,000	80	920
Assessor	15,000	9,332	5,668
Clerk	9,947	9,528	419
Board of Review	1,500	1,369	131
Treasurer	9,947	10,348	(401)
Building and Grounds	6,000	2,199	3,801
Cemetery	2,400	1,891	509
Public Safety	25,500	19,399	6,101
Public Works	61,650	49,493	12,157
Recreation and Cultural	2,100	1,828	272
Other Functions	10,150	9,891	259
Contingency	29,461	0	29,461
Total Disbursements	\$ 187,602	\$ 127,249	\$ 60,353
Excess of Receipts Over (Under) Disbursements	\$ (57,627)	\$ 2,263	\$ 59,890
<u>BALANCE - April 1, 2003</u>	57,627	57,143	(484)
<u>BALANCE - March 31, 2004</u>	\$ 0	\$ 59,406	\$ 59,406

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Taxes	\$ 26,946	
Delinquent Property Taxes	1	
Total Taxes		\$ 26,947

LICENSES AND PERMITS

Cable Franchise Fees		1,191
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STATE GRANTS

State Revenue Sharing		
Sales and Use Tax		95,480

CHARGES FOR SERVICES

Dog License Fees		15
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INTEREST AND RENTS

Interest Earnings		820
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OTHER RECEIPTS

S.E.T. Collection Fees	\$ 3,762	
Miscellaneous	1,297	
Total Other Receipts		5,059

TOTAL RECEIPTS		\$ 129,512
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 1,949

Other Services and Charges

Dues and Subscriptions 600

Education and Training 1,380

Miscellaneous 223

Total Legislative \$ 4,152

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 7,359

Other Services and Charges

Education and Training 180

Miscellaneous 200

Total Supervisor \$ 7,739

Elections

Other Services and Charges

Miscellaneous 80

Assessor

Other Services and Charges

Contracted Services \$ 9,000

Miscellaneous 332

Total Assessor 9,332

Clerk

Personal Services

Salaries and Wages \$ 8,259

Supplies

Office Supplies 351

Other Services and Charges

Education and Training 780

Travel 122

Miscellaneous 16

Total Clerk 9,528

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Board of Review			
Personal Services			
Salaries and Wages	\$	1,056	
Other Services and Charges			
Education and Training		165	
Miscellaneous		148	
Total Board of Review		<u>1,369</u>	1,369
Treasurer			
Personal Services			
Salaries and Wages	\$	8,097	
Supplies			
Office Supplies		611	
Other Services and Charges			
Contracted Services		259	
Education and Training		120	
Printing and Publishing		158	
Travel		76	
Miscellaneous		1,027	
Total Treasurer		<u>10,348</u>	10,348
Building and Grounds			
Personal Services			
Salaries and Wages	\$	702	
Other Services and Charges			
Public Utilities		1,388	
Miscellaneous		109	
Total Building and Grounds		<u>2,199</u>	2,199
Cemetery			
Other Services and Charges			
Contracted Services	\$	1,865	
Miscellaneous		26	
Total Cemetery		<u>1,891</u>	1,891
Total General Government			<u>\$ 42,486</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC SAFETY

Fire Protection		
Other Services and Charges		
Aid to Other Governments		19,399

PUBLIC WORKS

Highways, Streets, and Bridges		
Other Services and Charges		
Repairs and Maintenance		49,493

RECREATION AND CULTURAL

Library		
Other Services and Charges		
Aid to Other Governments		1,828

OTHER FUNCTIONS

Insurance and Bonds		\$ 2,175
Employee Benefits		
Medicare and Social Security	\$ 2,010	
Workers' Compensation	216	
Pension Contribution	5,490	
Total Employee Benefits	<u>7,716</u>	<u>7,716</u>
Total Other Functions		<u>9,891</u>

TOTAL DISBURSEMENTS		<u><u>\$ 127,249</u></u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

	<u>STREET LIGHTING</u>	<u>GARBAGE AND RUBBISH COLLECTION</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash			
Money Market Account	\$ 1,449	\$ 59,694	\$ 61,143
<u>LIABILITIES AND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>BALANCE</u>			
Reserved for Street Lighting	\$ 1,449	\$ 0	\$ 1,449
Reserved for Garbage and Rubbish Collection	0	59,694	59,694
Total Balance	\$ 1,449	\$ 59,694	\$ 61,143
<u>TOTAL LIABILITIES AND BALANCE</u>	\$ 1,449	\$ 59,694	\$ 61,143

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

	<u>STREET LIGHTING</u>	<u>GARBAGE AND RUBBISH COLLECTION</u>	<u>TOTAL</u>
<u>RECEIPTS</u>			
Taxes	\$ 1,229	\$ 67,186	\$ 68,415
<u>DISBURSEMENTS</u>			
Public Works	<u>1,075</u>	<u>62,632</u>	<u>63,707</u>
Excess of Receipts Over (Under) Disbursements	\$ 154	\$ 4,554	\$ 4,708
<u>BALANCE - April 1, 2003</u>	<u>1,295</u>	<u>55,140</u>	<u>56,435</u>
<u>BALANCE - March 31, 2004</u>	<u><u>\$ 1,449</u></u>	<u><u>\$ 59,694</u></u>	<u><u>\$ 61,143</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STREET LIGHTING FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	<u>\$ 1,449</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	\$ 0
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<u>BALANCE</u>	
Reserved for Street Lighting	<u>1,449</u>

TOTAL LIABILITIES AND BALANCE	<u>\$ 1,449</u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STREET LIGHTING FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes			
Current Property Taxes	\$ 1,250	\$ 1,229	\$ (21)
<u>DISBURSEMENTS</u>			
Public Works			
Street Lighting			
Other Services and Charges			
Public Utilities	1,250	1,075	175
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 154	\$ 154
<u>BALANCE</u> - April 1, 2003	1,295	1,295	0
<u>BALANCE</u> - March 31, 2004	\$ 1,295	\$ 1,449	\$ 154

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash		
Money Market Account		<u>\$ 59,694</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>		\$ 0
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<u>BALANCE</u>		
Reserved for Garbage and Rubbish Collection		<u>59,694</u>

TOTAL LIABILITIES AND BALANCE		<u>\$ 59,694</u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<u>RECEIPTS</u>			
Taxes			
Current Property Taxes	\$ 65,000	\$ 67,186	\$ 2,186
<u>DISBURSEMENTS</u>			
Public Works			
Sanitation			
Other Services and Charges			
Contracted Waste Pickup	65,000	62,632	2,368
Excess Receipts Over (Under) Disbursements	\$ 0	\$ 4,554	\$ 4,554
<u>BALANCE - April 1, 2003</u>	<u>55,140</u>	<u>55,140</u>	<u>0</u>
<u>BALANCE - March 31, 2004</u>	<u>\$ 55,140</u>	<u>\$ 59,694</u>	<u>\$ 4,554</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

<u>ASSETS</u>	NONEXPENDABLE TRUST FUND	AGENCY FUND	TOTAL
Cash	\$ 21,058	\$ 22	\$ 21,080
<u>LIABILITIES AND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>BALANCE</u>			
Reserved for Cemetery Perpetual Care	\$ 21,058	\$ 0	\$ 21,058
Unreserved	0	22	22
Total Balance	\$ 21,058	\$ 22	\$ 21,080
TOTAL LIABILITIES AND BALANCE	\$ 21,058	\$ 22	\$ 21,080

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CEMETERY PERPETUAL CARE FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash		
Savings Account		\$ 104
Certificates of Deposit		20,954
		20,954
TOTAL ASSETS		\$ 21,058

LIABILITIES AND BALANCE

<u>LIABILITIES</u>		\$ 0
<u>BALANCE</u>		
Reserved for Cemetery Perpetual Care		21,058
		21,058
TOTAL LIABILITIES AND BALANCE		\$ 21,058

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CEMETERY PERPETUAL CARE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Charges for Services		
Cemetery Lot Sales	\$	250
Interest and Rents		
Interest Earnings		601
Total Receipts	\$	851

DISBURSEMENTS

Excess of Receipts Over (Under) Disbursements	\$	851
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<u>BALANCE</u> - April 1, 2003		20,207
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<u>BALANCE</u> - March 31, 2004	\$	21,058
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CEMETERY PERPETUAL CARE FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Excess of Receipts Over (Under) Disbursements

\$ 851

CASH AND CASH EQUIVALENTS - April 1, 2003

20,207

CASH AND CASH EQUIVALENTS - March 31, 2004

\$ 21,058

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Commercial Account	<u>\$ 22</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>BALANCE</u>	<u>22</u>
 TOTAL LIABILITIES AND BALANCE	 <u>\$ 22</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections	\$ 753,816
County Settlement Payment	87,385
Interest on Summer Tax Roll	276
Dog License Fees	280
Property Tax Administration Fee	1,384
Overcollections from Taxpayers	<u>1,447</u>
 Total Receipts	 \$ 844,588

DISBURSEMENTS

Payments to County Treasurer		
Current Tax		
County	\$ 221,949	
State Education Tax	138,784	
Gratiot Isabella Intermediate School	18,349	
Clare Gladwin Intermediate School	49,908	
Library	7,013	
Mid Michigan Community College	30,033	
Drain Assessment	11,643	
Dog Licenses	<u>265</u>	\$ 477,944
 Payments to Township Treasurer		
Current Tax		
Operating	\$ 26,946	
Street Lighting	1,229	
Garbage and Rubbish Collection	67,186	
Property Tax Administration Fee	1,384	
Dog License Fees	<u>39</u>	96,784
 Payments to Road Commission Treasurer		
Current Tax		41,284

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

Payments to School Treasurer			
Beal City Public Schools	\$	849	
Clare Public Schools		170,284	
Farwell Area Schools		15,224	
Mt. Pleasant Public Schools		40,772	227,129
Refunds to Taxpayers for Overcollections		<u> </u>	<u>1,447</u>
 Total Disbursements			 <u>844,588</u>
 Excess of Receipts Over (Under) Disbursements			 \$ 0
 <u>BALANCE</u> - April 1, 2003			 <u>22</u>
 <u>BALANCE</u> - March 31, 2004			 <u>\$ 22</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/2003	ADDITIONS	DELETIONS	BALANCE 3/31/2004
<u>GENERAL FIXED ASSETS</u>				
Land and Buildings	\$ 34,602	\$ 0	\$ 0	\$ 34,602
Machinery and Equipment	7,613	0	0	7,613
	<u>\$ 42,215</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,215</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 42,215</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,215</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County	\$ 282,785	
County - State Education Tax	138,928	
Township		
Operating	27,053	
Street Lighting	1,229	
Garbage Collection	67,186	
Schools		
Beal City Public Schools	849	
Clare Public Schools	172,483	
Farwell Area Schools	15,224	
Mt Pleasant Public Schools	40,992	
Intermediate School		
Gratiot Isabella Intermediate	18,385	
Clare Gladwin Intermediate	50,124	
Community College		
Mid Michigan Community College	<u>30,162</u>	\$ 845,400

TAXES COLLECTED

County	\$ 249,192	
County - State Education Tax	130,328	
Township		
Operating	24,162	
Street Lighting	1,078	
Garbage Collection	57,987	
Schools		
Beal City Public Schools	849	
Clare Public Schools	149,875	
Farwell Area Schools	13,081	
Mt Pleasant Schools	39,021	
Intermediate Schools		
Gratiot Isabella Intermediate	17,588	
Clare Gladwin Intermediate	44,105	
Community College		
Mid Michigan Community College	<u>26,550</u>	<u>753,816</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES RETURNED DELINQUENT

County	\$ 33,593	
County - State Education Tax	8,600	
Township		
Operating	2,891	
Street Lighting	151	
Garbage Collection	9,199	
Schools		
Beal City Public Schools	0	
Clare Public Schools	22,608	
Farwell Area Schools	2,143	
Mt Pleasant Public Schools	1,971	
Intermediate School		
Gratiot Isabella Intermediate	797	
Clare Gladwin Intermediate	6,019	
Community College		
Mid Michigan Community College	3,612	<u>\$ 91,584</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

Having completed our audit of the general-purpose financial statements of Vernon Township for the year ended March 31, 2004, we would like to note the following:

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, to following item is noted:

One activity in the General Fund exceeded the budgeted amount. This overage was the result of year end adjustments made and posted after year end. Overall, the preparation and monitoring of the budget is being done very efficiently.

Government Accounting Standards Board (GASB) Statement 34

GASB has issued its new financial accounting model for governmental entities. This pronouncement will become effective for Vernon Township for its fiscal year ending March 31, 2005. The most significant change will be the requirement to report cost and depreciation information for fixed assets such as buildings and equipment. The board should be taking steps to accumulate this information in the near future. We are available to advise you on how to proceed with this project.

Accounting Records

The Township Clerk and Treasurer are doing a fine job of maintaining the accounting records in a manner which complies with the State's uniform accounting system.

Property Tax Administration Fee

As reported in Note IV. F of the Notes to Financial Statements, the Township is now charging a 1% property tax administration fee on the summer tax rolls. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER., C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

In planning and performing our audit of the general-purpose financial statements of Vernon Township, Isabella County, Clare, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.