FINANCIAL STATEMENTS

TOWNSHIP OF GARDEN
DELTA COUNTY, MICHIGAN

FOR THE YEAR ENDED MARCH 31, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Garden Township	Delta

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3-31-04	6-30-04	

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.

RECEIVED
DEPT. OF TREASURY
SEP - 1 2004
LOCAL AUDIT & FINANCE DIV.

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)			
Anderson, Tackman, & Co., PLC			
Street Address	City	State	ZIP
901 Ludington Street	Escanaba	MI	49829
Accountant Signature		Date	
Raymond B. Jr. Marsh		8/30/04	

TABLE OF CONTENTS

Independent Auditors' Report 1

General Purpose Financial Statements:

Combined Balance Sheet - All Fund Types 2

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types 3

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types..... 4

Notes to Financial Statements..... 6

Supplementary Information:

Combining Balance Sheet - All Special Revenue Funds..... 9

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds..... 10

General Fund Expenditures by Detailed Account..... 11

Statement of Changes in Assets and Liabilities - Current Tax Collection Fund..... 13

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

INDEPENDENT AUDITORS' REPORT

To the Township Board
Township of Garden
Delta County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Garden, 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 of Garden's management. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Garden, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of addition analysis and is not a required part of the general purpose financial statements of the Township of Garden, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson, Tackman & Company P.L.C.

Anderson Tackman & Co., PLC
Certified Public Accountants

June 30, 2004

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

TOWNSHIP OF GARDEN

COMBINED BALANCE SHEET - ALL FUND TYPES

March 31, 2004

	Governmental Fund Types		Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Special Revenue	Agency	General Fixed Asset	
Assets					
Cash in bank	$ 147,103	$ 242,177	$ 224	$ -	$ 389,503
Assessments receivable	2,884	-	-	-	2,884
Due from State	5,301	-	-	-	5,301
Due from other funds	160	-	-	-	160
Fixed assets	-	-	-	548,145	548,145
TOTAL ASSETS	$ 155,449	$ 242,177	$ 224	$ 548,145	$ 945,994
Liabilities and Fund Balances					
Liabilities:					
Deferred revenues	$ 2,884	$ -	$ -	$ -	$ 2,884
Due to other funds	-	160	-	-	160
Due to others	-	-	224	-	224
Payroll taxes withheld	741	-	-	-	741
TOTAL LIABILITIES	3,625	160	224	-	4,009
Fund balance and other credits:					
Investment in general fixed assets	-	-	-	548,145	548,145
Fund balance:					
Unreserved:					
Designated for road improvement	-	53,847	-	-	53,847
Undesignated	151,823	188,170	-	-	339,993
TOTAL FUND BALANCE AND OTHER CREDITS	151,823	242,017	-	548,145	941,985
TOTAL LIABILITIES AND FUND BALANCES	$ 155,448	$ 242,177	$ 224	$ 548,145	$ 945,994

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the year ended March 31, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property taxes	$ 24,884	$ 89,090	$ 113,974
Other taxes	16,255	-	16,255
Federal revenue	-	11,958	11,958
State revenue sharing	45,973	-	45,973
Property tax administrative fee	10,079	-	10,079
Charges for services	-	10,275	10,275
Grants	-	5,723	5,723
Interest	2,812	4,684	7,496
Miscellaneous	13,554	24	13,578
TOTAL REVENUES	$ 113,557	$ 121,754	$ 235,311
Expenditures:			
Legislative:			
Trustees/township board	$ 1,682	$ -	$ 1,682
General government:			
Supervisor	5,130	-	5,130
Elections	-	-	-
Assessor/equalization	17,023	-	17,023
Clerk	5,800	-	5,800
Board of review	755	-	755
Treasurer	7,941	-	7,941
Township hall and grounds	7,423	-	7,423
Cemetery	5,322	-	5,322
Township office	897	-	897
Legal and accounting	330	-	330
Payroll taxes	3,196	-	3,196
Miscellaneous	4,743	-	4,743
Capital outlay	2,595	-	2,595
Public safety:			
Fire protection	-	4,832	4,832
Capital outlay	-	16,172	16,172
Ambulance	9,984	-	9,984
Public works:			
Highways and streets	1,049	42,589	43,638
Sanitation	-	47,710	47,710
Culture and recreation:			
Parks and recreation	179	-	179
Other:			
Insurance	9,162	-	9,162
TOTAL EXPENDITURES	$ 83,210	$ 111,303	$ 194,513
Excess (deficiency) of revenues over expenditures	30,347	10,451	40,798
Fund balance, beginning of year	121,476	231,565	353,041
Fund balance, end of year	$ 151,823	$ 242,016	$ 393,839

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

For the year ended March 31, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Budget Variance Favorable (Unfavorable)	Budget	Actual	Budget Variance Favorable (Unfavorable)
Revenues:						
Property taxes	$ 23,000	$ 24,884	$ 1,884	$ 86,000	$ 89,090	$ 3,090
Other taxes	16,000	16,255	255	-	-	-
Federal revenue	-	-	-	12,775	11,958	(817)
State revenue sharing	43,000	45,973	2,973	-	-	-
Property tax administrative fee	10,000	10,079	79	-	-	-
Charges for services	-	-	-	10,500	10,275	(225)
Grants	-	-	-	3,000	5,723	2,723
Interest	1,000	2,812	1,812	3,800	4,684	884
Miscellaneous	17,000	13,554	(3,446)	-	24	24
TOTAL REVENUES	$ 110,000	$ 113,557	$ 3,557	$ 116,075	$ 121,754	$ 5,679
Expenditures:						
Legislative:						
Trustees/township board	$ 2,050	$ 1,682	$ 368	$ -	$ -	$ -
General government:						
Supervisor	5,795	5,130	665	-	-	-
Elections	600		600	-	-	-
Assessor/equalization	17,000	17,023	(23)	-	-	-
Clerk	6,435	5,800	635	-	-	-
Board of review	920	755	165	-	-	-
Treasurer	8,615	7,941	674	-	-	-
Township hall and grounds	14,000	7,423	6,577	-	-	-
Cemetery	7,200	5,322	1,878	-	-	-
Township office	1,700	897	803	-	-	-
Legal and accounting	1,800	330	1,470	-	-	-
Payroll taxes	4,800	3,196	1,604	-	-	-
Miscellaneous	6,037	4,743	1,294	-	-	-
Capital outlay	8,500	2,595	5,905	-	-	-
Public safety:						
Fire protection	500		500	6,800	4,832	1,968
Capital outlay	-	-	-	26,000	16,172	9,828
Ambulance	10,000	9,984	16	-	-	-
Public works:						
Highways and streets	1,050	1,049	1	13,775	42,589	(28,814)
Sanitation			-	54,300	47,710	6,590
Culture and recreation:						
Parks and recreation	300	179	122	-	-	-
Other:						
Insurance	8,500	9,162	(662)	-	-	-
TOTAL EXPENDITURES	$ 105,802	$ 83,210	$ 22,592	$ 100,875	$ 111,303	$ (10,428)
Excess (deficiency) of revenues over expenditures	$ 4,198	$ 30,347	$ 26,149	$ 15,200	$ 10,451	$ (4,749)
Fund balance, beginning of year	121,476	121,476		231,565	231,565	
Fund balance, end of year	$ 125,674	$ 151,823	$ 26,149	$ 246,765	$ 242,017	$ (4,749)

See accompanying notes to financial statements.

Totals		
Budget	Actual	Budget Variance Favorable (Unfavorable)
$ 109,000	$ 113,974	$ 4,974
16,000	16,255	255
12,775	11,958	(817)
43,000	45,973	2,973
10,000	10,079	79
10,500	10,275	(225)
3,000	5,723	2,723
4,800	7,496	2,696
17,000	13,578	(3,422)
$ 226,075	$ 235,311	$ 9,236
$ 2,050	$ 1,682	$ 368
5,795	5,130	665
600	-	600
17,000	17,023	(23)
6,435	5,800	635
920	755	165
8,615	7,941	674
14,000	7,423	6,577
7,200	5,322	1,878
1,700	897	803
1,800	330	1,470
4,800	3,196	1,604
6,037	4,743	1,294
8,500	2,595	5,905
7,300	4,832	2,468
26,000	16,172	9,828
10,000	9,984	16
14,825	43,638	(28,813)
54,300	47,710	6,590
300	179	122
8,500	9,162	(662)
$ 206,677	$ 194,513	$ 12,164
$ 19,398	$ 40,798	$ 21,400
353,041	353,041	-
$ 372,439	$ 393,839	$ 21,400

TOWNSHIP OF GARDEN

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Township applies criteria set forth in generally accepted accounting principles in evaluating how to define the Township for financial reporting purposes. These principles require that the financial statements present the Township and its component units, if any. Component units are separate entities for which the Township government is considered financially accountable. The Township has determined that no component units currently exist for the Township.

Basis of Presentation – The major focus of a governmental accounting and reporting system is to show adherence to applicable legal provisions and to determined fairly and with full disclosure the financial position and results of financial operations of each accounting entity within a governmental unit.

In accordance with the above criteria, the accounts of the Township of Garden are organized on the basis of individual funds or account groups, of which is considered a separate accounting entity. Each fund is accounted for with a separate, self-balancing set of accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and three generic fund types as follows:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds.

Special Revenue Funds – The Township's special revenue funds are used to account for proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations. The special revenue funds maintained by the Township are the Fire Fund, the Transfer Station Fund, and the Hiawatha National Forest Roads Fund.

Fiduciary Fund:

Trust and Agency Funds – The Township's agency fund is used to account for assets held by the Township as agent for other governmental units. The only agency fund maintained by the Township is a Current Tax Collection Fund.

Account Groups:

General Fixed Assets Account Group – This Account Group is used to account for the Township's fixed assets.

General Long Term Debt Account Group – This Account Group presents all the outstanding balances of long term debt of the Township. The Township is not carrying any long-term debts during or at the end of the year March 31, 2004. Accordingly, the General Long Term Debt Account Groups is not included in the Combined Balance Sheet as required by generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting – The Township's policy is to prepare its financial statements on the modified accrual basis of accounting. Under this basis, revenues are recognized when measurable and available and expenditures are recognized when incurred. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Budgets – The Township prepares annual budgets under the modified accrual basis of accounting. Several times during the course of the year the legally adopted budget is amended when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are presented to the Township board for review and approval.

Memorandum Totals and Comparability – The total column of the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such date comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH DEPOSITS

Cash deposits are recorded at cost. All Township cash deposits are held in federally insured banks located in the State of Michigan. During the past year, cash balances deposited have exceeded the maximum federally insure deposit levels.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the reporting entity cash deposits are as follows:

Deposits		Bank Balance	Carrying Amount
Insured		$ 200,000	$ 200,000
Uninsured		193,279	189,503
	TOTAL	$ 393,279	$ 389,503

NOTE 3 – FIXED ASSETS

Following is a summary of the changes in the General Fixed Assets Account Group of the Township.

	Account Balance 04/01/03	Additions	Deductions	Account Balance 03/31/04
Land	$ 275,770	$ -	$ -	$ 275,770
Fixed assets accounts:				
Buildings	333,282	-	-	333,282
Trans. Station Equipment	4,500	-	-	4,500
Furniture & Equipment	27,777	1,778	-	29,555
Trans. Station Vehicles	10,500	-	-	10,500
Fire Dept. Vehicles	269,200	-	-	269,200
TOTAL	$ 921,029	$ 1,778	$ -	$ 922,807

NOTE 5 – DESIGNATED FUND BALANCE

The designated fund balance in the Hiawatha National Forest Roads Fund is designated for the improvement of county roads within the township.

NOTE 6 – PROPERTY TAXES

The Townships annual property tax on real and personal property within the Township is levied on December 1, and is based on assessed valuation of property as of the preceding December 31. Assessed valuation, which is required by law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State.

In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes as of February 28 are considered delinquent. Delinquent real property taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risk of loss related to torts, thefts, accidents, errors, omissions, injuries and disasters. The Township's principal source used to manage these risks is through the purchase of commercial insurance policies.

NOTE 8 – RECLASSIFICATION OF FUND ACTIVITY

In prior year(s), activity relating to Hiawatha National Forest Roads was recorded in the General Fund. Due to the nature and activity in these accounts, this activity is now classified and presented as a separate Special Revenue fund.

NOTE 9 – SUBSEQUENT EVENT

On May 6, 2004, subsequent to year end, the Township entered an agreement with State Savings Bank of Manistique for financing of the purchase of a new fire truck. The amount of the agreement totaled $44,514 at an interest rate of 2.85% compounded annually. The Township agreed to make annual payments of $8,702 for five (5) years starting on May 1, 2005.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF GARDEN

COMBINING BALANCE SHEET-
ALL SPECIAL REVENUE FUNDS

March 31, 2004

	Fire Fund	Transfer Station Fund	Hiawatha National Forest Roads Fund	Total
Assets				
Cash in bank	$ 125,257	$ 63,073	$ 53,847	$ 242,177
TOTAL ASSETS	$ 125,257	$ 63,073	$ 53,847	$ 242,177
Liabilities and Fund Balance(s)				
Due to other funds	$ -	$ 160	$ -	$ 160
TOTAL LIABILITIES	-	160	-	160
Fund balance				
Designated for road improvement	-	-	53,847	53,847
Undesignated	125,257	62,913	-	188,170
TOTAL FUND BALANCE	125,257	62,913	53,847	242,017
TOTAL LIABILITIES AND FUND BALANCE	$ 125,257	$ 63,074	$ 53,847	$ 242,177

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

For the year ended March 31, 2004

	Fire Fund	Transfer Station Fund	Hiawatha National Forest Roads Fund	Total
Revenues:				
Property taxes	$ 29,289	$ 59,801	$ -	89,090
Federal revenue	-	-	11,958	11,958
Charges for services	4,433	5,842	-	10,275
Grants	5,723	-	-	5,723
Interest	3,353	388	943	4,684
Miscellaneous	24	-	-	24
TOTAL REVENUES	$ 42,822	$ 66,031	$ 12,901	$ 121,754
Expenditures:				
Wages	$ -	$ 11,083	$ -	11,083
Payroll taxes	-	848	-	848
Landfill fees	-	22,132	-	22,132
Utilities	-	1,926	-	1,926
Gas and oil	-	2,299	-	2,299
Repairs and maintenance	4,079	4,490	-	8,569
Road repair & chloride	-	-	42,589	42,589
Insurance	-	3,556	-	3,556
Capital outlay	16,172	257	-	16,429
Miscellaneous	752	1,119	-	1,871
TOTAL EXPENDITURES	$ 21,003	$ 47,710	$ 42,589	$ 111,302
Excess (deficiency) of revenues over expenditures	$ 21,819	$ 18,321	$ (29,688)	$ 10,452
Fund balance, beginning of year	103,438	44,592	83,535	231,565
Fund balance, end of year	$ 125,257	$ 62,913	$ 53,847	$ 242,017

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

For the year ended March 31, 2004

Township Board:		
Wages	$	1,535
Travel		62
Training		85
	$	1,682
Supervisor:		
Salary	$	4,345
Deputy		706
Travel		79
	$	5,130
Assessor:		
Contracted services	$	14,819
Miscellaneous		2,204
	$	17,023
Clerk:		
Salary	$	5,210
Deputy		375
Travel		207
Miscellaneous		8
	$	5,800
Board of Review:		
Wages	$	720
Miscellaneous		35
	$	755
Treasurer:		
Salary	$	7,356
Deputy		375
Travel		210
	$	7,941
Cemetery:		
Wages	$	4,009
Supplies		1,263
Repair and maintenance		50
	$	5,322

See accompanying notes to financial statements.

Township hall and grounds:		
Wages	$	968
Supplies		339
Utilites		4,539
Repairs and maintenance		1,777
Miscellaneous		(200)
	$	7,423
Township office:		
Supplies	$	314
Telephone		583
	$	897
Parks:		
Wages	$	179
Highways and streets:		
Street lighting	$	1,049
Legal and accounting	$	330
Payroll taxes	$	3,196
Miscellaneous	$	4,743
Capital outlay - equipment	$	2,595
Ambulance	$	9,984
Insurance	$	9,161
TOTAL EXPENDITURES	$	83,210

TOWNSHIP OF GARDEN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CURRENT TAX COLLECTION FUND

For the year ended March 31, 2004

	Balance @ 4/1/03	Additions	Deductions	Balance @ 3/31/04
Assets				
Cash in bank	$ 6,136	$ 1,036,786	$ 1,042,698	$ 224
Liabilities				
Due to other funds	$ -	$ 127,396	$ 127,396	$ -
Due to others	6,136	909,390	915,302	224
Total Liabilities	$ 6,136	$ 1,036,786	$ 1,042,698	$ 224

See accompanying notes to financial statements.

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

RECEIVED
DEPT. OF TREASURY
SEP - 1 2004
LOCAL AUDIT & FINANCE DIV.

Township Board
Township of Garden
Delta County, Michigan

We have audited the general purpose financial statements of the Township of Garden for the year ended March 31, 2004, and have issued our reports thereon dated June 30, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transaction, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Garden. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Garden are described in Note 1 of the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Township of Garden during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and expertise about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgement, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In come cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township of Garden or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accounts.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the general purpose financial statements of the Township of Garden, for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments an recommendations regarding those matters. This letter does not

affect our report dated June 30, 2004 on the general purpose financial statements of the Township of Garden.

We have already discussed many of these comments and recommendations with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Anderson, Tackman & Company P.L.C.
Certified Public Accountants

June 30, 2004

TOWNSHIP OF GARDEN

COMMENTS AND RECOMMENDATIONS

March 31, 2004

PETTY CASH

All cash should be recorded on the Township records. It came to our attention that the Transfer Station holds $50 in cash as petty cash for making change to customers, etc. Although it is acceptable to have this type of cash available, we recommend that it be recorded as an imprest cash account and that charges and receipts be accounted.

NEW FINANCIAL REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" was recently released. The statement established new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We have highlighted some of the major changes below for your information.

The statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will be required to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the original budget.

Also required by the statement is management's discussion and analysis (referred to as MD&A). For the first time, financial managers will be asked to share their insights in a required MD&A by giving readers an objective and easily readable analysis of the government's financial performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations.

The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with other assets and liabilities of the governmental unit in a required "Statement of Net Assets." Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities." Costs for infrastructure will be required to be capitalized and depreciated along with the more commonly known capital assets.

The requirements of this statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with revenues of $100 million and more should apply the statement for periods beginning after June 15, 2001; governments with revenues of $10 million to $100 million for periods beginning after June 15, 2002; and governments with revenues of $10 million and less for periods beginning after June 15, 2003, but earlier applications is encouraged.

MAINTENANCE OF GENERAL LEDGER

We noted that separate general ledgers of activity are maintained by both the Treasurer and the Clerk. Although this is a practice of "checks and balances," we recommend that one ledger be maintained for the Township and the activity posted to the ledger, through either journal entry, disbursement, or receipt, be reviewed by the Board or the Supervisor. However, if the Township wishes to continue with the recording of activity in a dual manner, we recommend that the Treasure and Clerk reconcile their records to each other no less then on a monthly basis.

RECEIPT OF REVENUES

We became aware the Township will sometimes receive receipts, usually hall rentals, at the residence of the Clerk. We recommend that all monies should be received directly at the hall where a receipt and entry to the general ledger be immediate, or for monies to be received by the bank or a lock box.