Ford

FORD RIVER TOWNSHIP WATER SUPPLY SYSTEM

(Delta)

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	FORD RIVER TOWNSHIP WATER SYS	DELTA

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
MARCH 31, 2004	MAY 25, 2004	MAY 25, 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.

RECEIVED
DEPT. OF TREASURY
JUN - 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.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
RAY PAYMENT, CPA			
Street Address	City	State	ZIP
1217 LUDINGTON STREET	ESCANABA	MI	49829
Accountant Signature			

CONTENTS

	Page
Independent Auditor's Report	3
Report on Internal Control and Compliance	4-5
AUDITED FINANCIAL STATEMENTS	
Comparative Balance Sheets	6
Comparative Statement of Revenues and Expenditures	7
Comparative Statement of Retained Earnings	8
Statement of Cash Flows	9
Notes to Financial Statements	10-11

RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET
ESCANABA, MICHIGAN 49829
PHONE: 906-786-8520
FAX: 906-786-8521

PROFESSIONAL BUILDING
STEPHENSON, MICHIGAN 49887
PHONE: 906-753-4700

May 25, 2004

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board
Ford River Township Water Supply System
Delta County, Michigan

I have audited the comparative balance sheets of the Water Supply System of Ford River Township as of March 31, 2004 and 2003, and the related statements of comparative revenues and expenditures, retained earnings, and cash flows for the years then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Township management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the accompanying comparative financial statements present fairly the financial position of the Water Supply System of Ford River Township as of March 31, 2004 and 2003, and the results of their operations for the years then ended in accordance with generally accepted accounting principles applicable to governmental entities.

The financial statements referred to in the foregoing opinion are identified in the contents of this report. My examination was made primarily for the purpose of rendering an opinion on these basic financial statements taken as a whole. The supplementary financial data identified in the contents, although not considered necessary for a fair presentation of the financial position and results of operations, are presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ray L. Payment
Certified Public Accountant

RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET
ESCANABA, MICHIGAN 49829
PHONE: 906-786-8520
FAX: 906-786-8521

PROFESSIONAL BUILDING
STEPHENSON, MICHIGAN 49887
PHONE: 906-753-4700

May 25, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Ford River Township Board
Ford River Township Water Supply System
Delta County, MI

I have audited the general purpose financial statements of Ford River Township Water Supply System as of and for the year ended March 31, 2004, and have issued my report thereon dated May 25, 2004. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ford River Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Ford River Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

to a relatively low level the risk that misstatements in amounts that would be material in relation 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray L. Payment
Certified Public Accountant

FORD RIVER TOWNSHIP WATER SUPPLY SYSTEM
COMPARATIVE BALANCE SHEETS
MARCH 31, 2004 AND 2003

ASSETS	Year Ended March 31, 2004	2003
PROPERTY, PLANT AND EQUIPMENT (Note 2):		
Property, plant and equipment	$ 498 259	$ 498 259
Less accumulated depreciation	(215 460)	(225 425)
Net property and equipment	282 799	272 834
RESTRICTED ASSETS:		
Bond and Interest Redemption Fund:		
Cash on deposit	19 298	-
CURRENT ASSETS:		
Cash on deposit	109 051	99 739
Accounts Receivable	5 708	6 432
TOTAL ASSETS	$ 416 856	$ 379 005

LIABILITIES, DEFERRED CREDITS AND RETAINED EARNINGS		
RETAINED EARNINGS	$ 275 520	$ 305 080
LONG-TERM DEBT (Note 2):		
Revenue bonds payable - noncurrent portion	61 000	-
CURRENT LIABILITIES:		
Maturing bonds payable (Due January 1, 2004)	6 000	-
DEFERRED CREDITS:		
Customer prepayments	8 171	7 760
CONTRIBUTIONS IN AIDE OF CONSTRUCTION	66 165	66 165
TOTAL LIABILITIES, DEFERRED CREDITS, CONTRIBUTIONS AND RETAINED EARNINGS	$ 416 856	$ 379 005

See accompanying notes to financial statements.

FORD RIVER TOWNSHIP WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MARCH 31, 2004 AND 2003

	Year Ended March 31, 2004	2003
OPERATING REVENUES:		
Water sales and hook-up charges	$ 62 163	$ 66 036
Hydrant rentals	1 200	1 200
Miscellaneous and reimbursements	-	100
Total operating revenues	63 363	67 336
OPERATING EXPENDITURES:		
Depreciation (Note 2)	9 965	9 965
Utilities and communications	5 232	5 498
Salaries and wages	6 988	6 402
Contract services and repairs	7 220	2 867
Insurance	2 701	3 449
Professional services	2 410	4 083
Supplies and travel	476	1 224
Payroll taxes	535	476
Dues and workshops	904	970
Total operating expenses	36 431	34 934
Operating income (loss)	26 932	32 402
NONOPERATING INCOME (EXPENSE):		
Interest income	954	669
Interest expense	(4 464)	(3 511)
NET INCOME (LOSS)	$ 23 422	$ 29 560

See accompanying notes to financial statements.

FORD RIVER TOWNSHIP WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF RETAINED EARNINGS
YEAR ENDED MARCH 31, 2004 AND 2003

	Year Ended March 31, 2004	2003
RETAINED EARNINGS, at beginning of period	$ 252 098	$ 275 520
ADD - Net income (loss) for the period	23 422	29 560
RETAINED EARNINGS, at end of period	$ 275 520	$ 305 080

See accompanying notes to financial statements.

FORD RIVER TOWNSHIP WATER SUPPLY SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2004

	Year Ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss) before transfers	$ 29 560
Non-cash expenses included in net income:	
Depreciation and amortization	9 965
(INCREASE) DECREASE IN ASSETS:	
Accounts receivable	(724)
INCREASE (DECREASE) IN LIABILITIES AND DEFERRED CREDITS:	
Customer prepayments	(411)
Accrued interest payable	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	38 390
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in plant and equipment	-
NET CASH USED BY INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Decrease in bonds payable	(67 000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(67 000)
NET INCREASE (DECREASE) IN CASH	$ (28 610)
CASH, BEGINNING OF PERIOD	128 349
CASH, END OF PERIOD	$ 99 739

See accompanying notes to financial statements.

NOTE 1 - METHOD OF ACCOUNTING

The Township Water Fund is maintained on a modified accrual basis.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Fixed assets consisting of water mains and equipment are carried at cost. Depreciation is calculated over the estimated useful life of the fixed assets using the straight-line method.

NOTE 3 - BUDGET

The Water System prepares its budget using the accrual basis of accounting.

NOTE 4 - DESCRIPTION OF REPORTING ENTITY

This report includes all of the funds and account groups of the Water System. It includes all activities considered by the U.S. Bureau of Census to be part of the Water System. The General and other Funds of Ford River Township have been submitted under separate cover.

The Escanaba Area School District is an independent district and not part of the Township. Financial data for it are not included in the financial statements of this report. However, audited financial statements for the School District are available upon request from its business office.

The Water System provides water services contemplated by statute or character.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in two banks in the name of the Ford River Township Treasurer. Michigan Complied laws, Section 124.91, authorizes the Township Treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Governmental National Mortgage Association; United States government or Federal agency obligation repurchase agreement; banker's acceptance of the United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

Deposits	Carrying Amount
Insured (FDIC)	$ 99 739
TOTAL DEPOSITS	$ 99 739