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	Charter Township of Genesee	Genesee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
12/31/04	3/24/05	

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

We affirm that:

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

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

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

Certified Public Accountant (Firm Name)			
BKR Dupuis & Ryden			
Street Address	City	State	ZIP
111 East Court Street, Suite 1A	Flint	MI	48502
Accountant Signature		Date	
		6/29/05	

Financial Statements

Charter Township of Genesee
Genesee County, Michigan

December 31, 2004

Charter Township of Genesee
List of Elected, Civil Service, and Appointed Officials

Scott Streeter	Supervisor
Charles Marshall	Clerk
Donald Becker	Treasurer
Richard Burrus	Trustee
Helen Oliver	Trustee
Christine White	Trustee
Ronald Shamel	Trustee

Charter Township of Genesee
Financial Statements
For the Fiscal Year Ended December 31, 2004

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Charter Township of Genesee
Financial Statements
For the Fiscal Year Ended December 31, 2004

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Independent Auditors' Report

Members of the Board
Charter Township of Genesee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Genesee, Michigan (Township) as of December 31, 2004, for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note I.B., the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Genesee, Michigan at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3.1 through 3.7 and the information in the required supplemental information section on page 35 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Flint: 111 E. Court St., Suite 1A, Flint, MI 48502-1647 • (810) 767-5350 • FAX (810) 767-8150
Ann Arbor: 2144 S. State St., Suite D, Ann Arbor, MI 48104-8107 • (734) 994-1044 • FAX (734) 747-9824

www.bkrdupuisryden.com

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Township's basic financial statements. The supplemental section presented on pages 36 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

March 24, 2005

Management's Discussion and Analysis

Charter Township of Genesee
Management's Discussion and Analysis

As management of the Charter Township of Genesee, we offer readers of the Charter Township of Genesee's financial statements this narrative overview and analysis of the financial activities of the Charter Township of Genesee for the fiscal year ended December 31, 2004.

Financial Highlights

- The assets of the Charter Township of Genesee exceeded its liabilities at the close of the most recent fiscal year by $36,697,406 *(net assets).* Of this amount, $13,825,455 *(unrestricted net assets)* may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by $1,143,121. Approximately one third of this increase is attributable to a one-time transfer of land value from the Component unit Economic Development Corporation to the Primary Township government. Another significant portion relates to the increase in net assets from Business-Type Sewer and Water activities.
- As of the close of the current fiscal year, the Charter Township of Genesee's governmental funds reported combined ending fund balances of $4,165,928, a decrease of $362,941 in comparison with the prior year. Approximately 90% of this total amount, $3,703,738, is *available for spending* at the government's discretion *(unreserved fund balance).*
- At the end of the current fiscal year, unreserved fund balance for the general fund was $2,285,004, or 36 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter Township of Genesee's basic financial statements. The Charter Township of Genesee's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter Township of Genesee's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Charter Township of Genesee's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Township of Genesee is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Charter Township of Genesee that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the Charter Township of Genesee include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the Charter Township of Genesee include a Water and Sewer Department.

The government-wide financial statements include not only the Charter Township of Genesee itself (known as the *primary government),* but also a legally separate Economic Development Corporation for which the Charter Township of Genesee is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Water and Sewer Department, although separate, functions for all practical purposes as a department of the Charter Township of Genesee, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 4 through 6 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Genesee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter Township of Genesee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Charter Township of Genesee maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Charter Township of Genesee adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 through 13 of this report.

Proprietary funds. The Charter Township of Genesee maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Charter Township of Genesee uses enterprise funds to account for its Water and Sewer Department operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department operation, both of which are considered to be major funds of the Charter Township of Genesee.

The basic proprietary fund financial statements can be found on pages 14 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Charter Township of Genesee's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Charter Township of Genesee's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 35 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 36 through 40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Township of Genesee, assets exceeded liabilities by $36,697,406 at the close of the most recent fiscal year.

By far the largest portion of the Charter Township of Genesee's net assets (59 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Charter Township of Genesee uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Charter Township of Genesee's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter Township of Genesee's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 6,289,689	$ 9,712,046	$ 16,001,735
Capital assets	1,291,120	23,602,191	24,893,311
Total Assets	7,580,809	33,314,237	40,895,046
Long-term liabilities outstanding	396,853	2,447,063	2,843,916
Other liabilities	424,465	929,259	1,353,724
Total liabilities	821,318	3,376,322	4,197,640
Invested in capital assets, net of related debt	832,898	20,687,752	21,520,650
Restricted	-	1,351,301	1,351,301
Unrestricted	5,926,593	7,898,862	13,825,455
Total net assets	$ 6,759,491	$ 29,937,915	$ 36,697,406

An additional portion of the Charter Township of Genesee's net assets (3.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($13,825,455) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Charter Township of Genesee is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by $499,227 during the current fiscal year. This increase represents the value of a one-time land transfer from the Component Unit Economic Development Corporation.

Governmental activities. Governmental activities increased the Charter Township of Genesee's net assets by $499,227, thereby accounting for 43 percent of the total growth in the net assets of the Charter Township of Genesee . Key elements of the revenues and expenses are as follows:

Charter Township of Genesee's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	$ 2,093,327	$ 3,327,241	$ 5,420,568
Operating grants and contributions	357,782	-	357,782
Capital grants and contributions	499,500	-	499,500
General revenues:			
Property taxes	1,734,072	272,294	2,006,366
Other taxes	2,246,398	-	2,246,398
Investment earnings	64,486	176,377	240,863
Total revenues	6,995,565	3,775,912	10,771,477
Expenses:			
Legislative	87,803	-	87,803
General government	1,108,871	-	1,108,871
Public safety	3,253,399	-	3,253,399
Highways/streets	196,560	-	196,560
Sanitation	1,065,688	-	1,065,688
Culture and recreation	131,772	-	131,772
Economic development	10,893	-	10,893
Fringe benefits and insurance	610,911	-	610,911
Interest on long-term debt	30,441	-	30,441
Water	-	1,876,693	1,876,693
Sewer	-	1,255,325	1,255,325
Total expenses	6,496,338	3,132,018	9,628,356
Increase in net assets	499,227	643,894	1,143,121
Net assets – 1/1/2004	6,260,264	29,294,021	35,554,285
Net assets – 12/31/2004	$ 6,759,491	$ 29,937,915	$ 36,697,406

- Property taxes overall decreased by $206,518 (10 percent) during the year. Most of this decrease is the product of a reduction in the sewer debt levy within the Business-type activities.
- State-shared revenues (sales taxes) decreased $325,199 or 12%.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Charter Township of Genesee's net assets by $643,894 accounting for 56 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for Sewer and Water business-type activities increased by 7.8 percent. Revenues increased as a result of a modest increase in demand. Also, interest income of $176,377 was realized and the sewer debt levy generated $272,294 in revenues ear-marked for the payment of outstanding debt obligations. Together, these factors account for the change in net assets.

Financial Analysis of the Government's Funds

As noted earlier, the Charter Township of Genesee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Charter Township of Genesee's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Charter Township of Genesee's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter Township of Genesee's governmental funds reported combined ending fund balances of $4,165,928, a decrease of $362,942 in comparison with the prior year. Approximately 89% of this total net asset amount ($4,005,898) constitutes *unreserved fund balance,* which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period ($160,030).

The general fund is the chief operating fund of the Charter Township of Genesee. At the end of the current fiscal year, total unreserved fund balance of the general fund was $2,587,164, while total fund balance reached $2,747,194. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total Unreserved fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The fund balance of the Charter Township of Genesee's general fund decreased by $226,434 during the current fiscal year. Key factors in this decrease are as follows:

- An increase in total expenditures in the amount of $459,435. Key areas of the increase occurred in the police and fire departments ($384,968) and overall fringe benefits ($115,646).
- Intergovernmental revenues of the general fund decreased significantly by $55,253 or 2% , as a result of an increase in federal grant funds and a large decrease in state shared revenues ($229,816 or 9%).

Proprietary funds. The Charter Township of Genesee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds at the end of the year amounted to $7,898,862. The total growth in net assets for both funds was $416,617 and $227,267, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Charter Township of Genesee's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the General Fund were relatively minor and can be briefly summarized as follows:

- $164,000 or 4% increase in public safety expenses (mainly in the fire and building departments).
- $69,700 decrease in funds allocated for roads.

Capital Asset and Debt Administration

Capital assets. The Charter Township of Genesee's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to $24,893,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total net increase in the Charter Township of Genesee's investment in capital assets for the current fiscal year was $628,511 for governmental activities and a $90,531 for business-type activities.

Detailed information on the Charter Township of Genesee's capital assets can be found in note IV .B on pages 26 and 27 of this report.

Long-term debt. At the end of the current fiscal year, the Charter Township of Genesee had total long-term debt outstanding of $3,372,661. Of this amount, $338,685 will be paid from governmental activities and $2,914,439 will be paid from Sewer and Water resources as well as the sewer debt millage.

Additional information on the Charter Township of Genesee's long-term debt can be found in note IV.D on pages 28 through 31 of this report.

Economic Factors and Next Year's Budgets and Rates

- The State's economy has been in a downward trend for the past few years. As a result, the State legislature has significantly cut state shared resources to units of government as a strategy to help reduce the State's budget deficit. The negative impact on future state shared revenues is expected to continue in 2005 and possibly 2006.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the Charter Township of Genesee's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to $2,285,004. The Charter Township of Genesee has appropriated $302,160 of this amount for spending in the 2005 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Genesee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Clerk, Charter Township of Genesee, P.O. Box 215, Genesee, MI, 48437.

Basic Financial Statements

Government-wide Financial Statements

Charter Township of Genesee
Statement of Net Assets
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
Assets				
Cash and equivalents	$ 614,646	$ 6,311,619	$ 6,926,265	$ -
Investments	2,075,760	1,412,595	3,488,355	-
Receivables	2,973,642	1,939,269	4,912,911	-
Due from primary government	-	-	-	258
Due from other governments	462,294	-	462,294	-
Internal balances	3,317	(3,317)	-	-
Inventory	-	-	-	-
Prepaid items	160,030	6,111	166,141	-
Other assets	-	45,769	45,769	-
Capital assets (net of accumulated depreciation)	1,291,120	23,602,191	24,893,311	-
Total assets	$ 7,580,809	$ 33,314,237	$ 40,895,046	$ 258
Liabilities				
Accounts payable	$ 86,536	$ 345,477	$ 432,013	$ -
Accrued liabilities	183,043	77,960	261,003	-
Deposits	-	3,250	3,250	-
Due to component unit	258	-	258	-
Due to other governments	46,266	5,000	51,266	-
Unearned revenue	46,993	30,196	77,189	-
Noncurrent liabilities:				
Due within one year	61,369	467,376	528,745	-
Due in more than one year	396,853	2,447,063	2,843,916	-
Total liabilities	821,318	3,376,322	4,197,640	-
Net Assets				
Invested in capital assets, net of related debt	832,898	20,687,752	21,520,650	-
Restricted for:				
Debt Service	-	1,351,301	1,351,301	-
Unrestricted	5,926,593	7,898,862	13,825,455	258
Total net assets	6,759,491	29,937,915	36,697,406	258
Total liabilities and net assets	$ 7,580,809	$ 33,314,237	$ 40,895,046	$ 258

See notes to financial statements.

Charter Township of Genesee
Statement of Activities
For the Year Ended June 30, 2004

		Program Revenues	
Functions\Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary government:			
Governmental activities:			
Legislative	$ 87,803	$ -	$ -
General government	1,108,871	631,745	-
Public safety	3,253,399	277,094	247,809
Highways and streets	196,560	119,426	-
Sanitation	1,065,688	1,065,062	-
Recreation and culture	131,772	-	109,973
Economic development	10,893	-	-
Fringe benefits	582,509	-	-
Insurance	28,402	-	-
Interest on long-term debt	30,441	-	-
Total governmental activities	6,496,338	2,093,327	357,782
Business-type activities:			
Sewer	1,876,693	1,717,707	-
Water	1,255,325	1,609,534	-
Total business-type activities	3,132,018	3,327,241	-
Total primary government	$ 9,628,356	$ 5,420,568	$ 357,782
Component units:			
Economic Development Corporation	$ 881,602	$ -	$ -
Total component units	$ 881,602	$ - 0 -	$ - 0 -

General revenues:
Property taxes
Sales tax
Unrestricted investment earnings
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$ -	$ (87,803)	$ -	$ (87,803)	$ -
499,500	22,374	-	22,374	-
-	(2,728,496)	-	(2,728,496)	-
-	(77,134)	-	(77,134)	-
-	(626)	-	(626)	-
-	(21,799)	-	(21,799)	-
-	(10,893)	-	(10,893)	-
-	(582,509)	-	(582,509)	-
-	(28,402)	-	(28,402)	-
-	(30,441)	-	(30,441)	-
499,500	(3,545,729)	-	(3,545,729)	-
-	-	(158,986)	(158,986)	-
-	-	354,209	354,209	-
-	-	195,223	195,223	-
$ 499,500	(3,545,729)	195,223	(3,350,506)	-
$ -	-	-	-	(881,602)
$ - 0 -	-	-	-	(881,602)
	1,734,072	272,294	2,006,366	-
	2,246,398	-	2,246,398	-
	64,486	176,377	240,863	-
	-	-	-	-
	4,044,956	448,671	4,493,627	-
	499,227	643,894	1,143,121	(881,602)
	6,260,264	29,294,021	35,554,285	881,860
	$ 6,759,491	$ 29,937,915	$ 36,697,406	$ 258

Fund Financial Statements

Charter Township of Genesee
Balance Sheet
Governmental Funds
December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 546,200	$ 68,445	$ 614,645
Investments	672,977	1,402,783	2,075,760
Receivables:			
Current taxes	1,021,239	-	1,021,239
Customers	828,860	-	828,860
Accrued interest	6,966	-	6,966
Due from other funds	971,689	8,930	980,619
Due from other governments	662,764	9,118	671,882
Prepaid items	160,030	-	160,030
Total assets	$ 4,870,725	$ 1,489,276	$ 6,360,001
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	$ 86,534	$ -	$ 86,534
Other accrued liabilities	183,043	-	183,043
Due to other funds	1,794	68,521	70,315
Due to other governments	46,266	-	46,266
Due to component unit	257	-	257
Deferred revenue	1,805,638	2,021	1,807,659
Total liabilities	2,123,532	70,542	2,194,074
Fund balances:			
Reserved for prepaid items	160,030	-	160,030
Unreserved:			
Designated for subsequent year's expenditures	302,160	-	302,160
Unreserved reported in:			
General	2,285,004		2,285,004
Debt service	-	14,738	14,738
Capital projects	-	1,403,996	1,403,996
Total fund equity and other credits	2,747,194	1,418,734	4,165,928
Total liabilities, fund equity, and other credits	$ 4,870,726	$ 1,489,276	$ 6,360,002

See notes to financial statements.

Charter Township of Genesee
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended December 31, 2004

Total Governmental Funds fund balance as reported in the balance sheet governmental funds	$ 4,165,928
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,291,120
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,760,666
Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(458,222)
Net assets - governmental activities	$ 6,759,492

See notes to financial statements.

Charter Township of Genesee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 1,553,121	$ -	$ 1,553,121
Special assessments	-	8,269	8,269
Licenses and permits	107,416	-	107,416
Intergovernmental:			
Federal	152,426	88,805	241,231
State	2,341,781	21,168	2,362,949
Local	177,782	-	177,782
Charges for services	1,676,197	-	1,676,197
Interest	43,392	21,094	64,486
Sale of property and equipment	113,170	-	113,170
Miscellaneous	14,688	-	14,688
Total revenues	6,179,973	139,336	6,319,309
Expenditures			
Current:			
General government	896,213	-	896,213
Public safety	3,479,531	-	3,479,531
Highways, streets, and bridges	238,215	-	238,215
Sanitation	1,065,688	-	1,065,688
Health and welfare	-	109,973	109,973
Other functions	726,760	841	727,601
Capital outlay	-	63,784	63,784
Debt service:			
Principal	-	69,756	69,756
Interest and fiscal charges	-	31,489	31,489
Total expenditures	6,406,407	275,843	6,682,250
Deficiency of revenues over expenditures	(226,434)	(136,507)	(362,941)
Other financing sources			
Operating transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	(226,434)	(136,507)	(362,941)
Fund balance at beginning of year	2,973,628	1,555,241	4,528,869
Fund balance at end of year	$ 2,747,194	$ 1,418,734	$ 4,165,928

See notes to financial statements.

Charter Township of Genesee
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities (page 6) are different because:

Net Change in fund balances - total governmental funds (page 9)	$	(362,941)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		628,511
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		176,767
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items		69,756
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(12,865)
Change in net assets of governmental activities (page 6)	$	499,228

See notes to financial statements.

Charter Township of Genesee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
Revenues				
Taxes	$1,554,050	$1,554,050	$ **1,553,121**	$ (929)
Licenses and permits:				
Building permits	60,000	60,000	**84,150**	24,150
Trailer park permits	15,500	15,500	**14,167**	(1,333)
Other permits and licenses	10,400	10,400	**9,099**	(1,301)
Total licenses and permits	85,900	85,900	**107,416**	21,516
Intergovernmental - federal:				
COPS grants	29,229	151,429	**152,426**	997
Total intergovernmental - federal	29,229	151,429	**152,426**	997
Intergovernmental - state:				
State shared revenues	2,400,000	2,400,000	**2,246,398**	(153,602)
G.A.I.N.	93,000	93,000	**95,383**	2,383
Total intergovernmental - state	2,493,000	2,493,000	**2,341,781**	(151,219)
Intergovernmental - local:				
Narcotics grant	171,500	171,500	**137,743**	(33,757)
DARE	78,000	78,000	**40,039**	(37,961)
Total intergovernmental - local	249,500	249,500	**177,782**	(71,718)
Charges for services:				
Garbage collection	1,071,600	1,071,600	**1,065,062**	(6,538)
Street lights	105,000	105,000	**119,426**	14,426
Road, weed, and light assessment	56,000	56,000	**48,707**	(7,293)
Tax collection fees and penalties	157,000	157,000	**177,934**	20,934
District court fees	40,000	40,000	**42,391**	2,391
Cable TV franchise fees	190,000	190,000	**201,493**	11,493
Special assessment administration	800	800	**800**	-
Other services	20,600	20,600	**20,384**	(216)
Total charges for services	1,641,000	1,641,000	**1,676,197**	35,197
Interest	120,000	120,000	**43,392**	(76,608)
Sale of property and equipment	50,000	50,000	**113,170**	63,170
Miscellaneous	100	100	**14,688**	14,588
Total revenues	6,222,779	6,344,979	**6,179,973**	(165,006)

See notes to financial statements.

(continued)

Charter Township of Genesee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
Expenditures				
Current:				
General government:				
Township Board	97,720	97,720	**86,080**	11,640
Supervisor	180,128	184,128	**182,840**	1,288
Assessor	109,280	120,280	**117,794**	2,486
Elections	58,400	35,400	**35,144**	256
Audit	14,000	14,100	**14,075**	25
Legal	12,000	13,000	**12,774**	226
Clerk	170,482	173,982	**173,034**	948
Treasurer	95,512	95,512	**94,596**	916
Township hall	50,600	59,000	**56,980**	2,020
Township building and equipment	13,000	5,000	**2,530**	2,470
Vehicles	19,490	25,490	**23,951**	1,539
Cemetery	2,760	2,760	**2,360**	400
Miscellaneous	93,630	94,630	**94,055**	575
Total general government	917,002	921,002	**896,213**	24,789
Public safety:				
Police services	2,981,280	2,981,280	**2,924,505**	56,775
Police reserves	150	150	**60**	90
Central Fire Department	154,333	281,533	**272,677**	8,856
Fire Department #2	136,837	141,837	**131,076**	10,761
Beecher Fire Department	-	-	**-**	-
Mt. Morris fire contract	32,000	32,000	**26,474**	5,526
Building department	93,916	125,916	**124,739**	1,177
Total public safety	3,398,516	3,562,716	**3,479,531**	83,185
Highways, streets, and bridges	344,900	275,200	**238,215**	36,985
Sanitation	1,071,700	1,071,700	**1,065,688**	6,012
Other functions:				
Library	22,478	23,478	**21,798**	1,680
Planning commission	3,300	3,300	**1,644**	1,656
Appeals board	1,000	1,200	**1,186**	14
Insurance	22,916	27,916	**27,354**	562
Drains at large	45,000	57,000	**56,242**	758
Township properties	18,100	18,600	**17,934**	666
Economic development	21,000	26,000	**18,093**	7,907
Fringe benefits	625,686	625,686	**582,509**	43,177
Total other services	759,480	783,180	**726,760**	56,420
Total expenditures	6,491,598	6,613,798	**6,406,407**	207,391
Excess of deficiency over expenditures	(268,819)	(268,819)	**(226,434)**	42,385

See notes to financial statements.

(continued)

Charter Township of Genesee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
Expenditures - (continued)				
Current: - (continued)				
Other financing sources:				
Operating transfers in	-	-	-	-
Net change in fund balance	(268,819)	(268,819)	**(226,434)**	42,385
Fund balance at beginning of year	2,973,628	2,973,628	**2,973,628**	-
Fund balance at end of year	$2,704,809	$2,704,809	**$ 2,747,194**	$ 42,385

See notes to financial statements.

(continued)

Charter Township of Genesee
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities-Enterprise Funds		
	Water	**Sewer**	**Total**
Assets			
Current assets:			
Cash and cash equivalents	$ 2,328,933	$ 3,982,686	$ 6,311,619
Investments	208,558	1,204,037	1,412,595
Receivables:			
Current taxes	-	219,484	219,484
Customers	559,166	548,640	1,107,806
Accrued interest	22,344	32,396	54,740
Current portion of special assessments	23,522	-	23,522
Current portion of tap-in receivables	48,293	21,032	69,325
Due from other funds	687,228	138,328	825,556
Advance to other funds	-	945,172	945,172
Prepaid items	-	6,111	6,111
Total current assets	3,878,044	7,097,886	10,975,930
Property, plant, and equipment:			
Utility systems	9,287,206	23,419,747	32,706,953
Less accumulated depreciation	1,403,439	7,701,323	9,104,762
Net property, plant, and equipment	7,883,767	15,718,424	23,602,191
Other assets:			
Long-term portions of:			
Special assessments receivable	3,714	-	3,714
Tap-in contracts receivable	196,008	58,604	254,612
Bond issuance costs	-	45,769	45,769
Total other assets	199,722	104,373	304,095
Total assets	$ 11,961,533	$ 22,920,683	$ 34,882,216

See notes to financial statements.

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Totals
Liabilities			
Current liabilities:			
Accounts payable	$ 80,958	$ 264,519	$ 345,477
Other accrued liabilities	58,746	19,214	77,960
Due to other funds	6,111	616,696	622,807
Due to other governments	-	5,000	5,000
Deferred revenue	-	30,196	30,196
Current portion of long-term debt	75,000	392,376	467,376
Total current liabilities	220,815	1,328,001	1,548,816
Long-term liabilities:			
Deposits payable	3,250	-	3,250
Advances from other funds	945,172	-	945,172
Long-term debt - net of current portion	1,285,000	1,162,063	2,447,063
Total long-term liabilities	2,233,422	1,162,063	3,395,485
Net Assets			
Invested in capital assets, net of related debt	6,523,767	14,163,985	20,687,752
Restricted for debt service	-	1,351,301	1,351,301
Unrestricted	2,983,529	4,915,333	7,898,862
Total net assets	9,507,296	20,430,619	29,937,915
Total liabilities and net assets	$ 11,961,533	$ 22,920,683	$ 34,882,216

Charter Township of Genesee
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-type Activities-Enterprise Funds		
	Water	**Sewer**	**Totals**
Operating revenues			
Usage fees	$ 1,457,134	$ 1,646,974	$ 3,104,108
Meter fees	18,660	-	18,660
Hydrant fees	60,396	-	60,396
Miscellaneous	3,544	8,883	12,427
Total operating revenues	1,539,734	1,655,857	3,195,591
Operating expenses			
County usage	797,672	1,096,103	1,893,775
Depreciation	98,144	259,658	357,802
Amortization of bond issuance	-	13,731	13,731
General administration	210,853	211,288	422,141
Repairs and maintenance	30,229	222,988	253,217
Total operating expenses	1,136,898	1,803,768	2,940,666
Operating income (loss)	402,836	(147,911)	254,925
Non-operating revenues (expenses)			
Interest income	62,418	113,959	176,377
Interest expense	(118,427)	(72,925)	(191,352)
Tap in fees	69,800	61,850	131,650
Property taxes	-	272,294	272,294
Total non-operating revenues	13,791	375,178	388,969
Change in net assets	416,627	227,267	643,894
Net assets at beginning of year	9,090,669	20,203,352	29,294,021
Net assets at end of year	$ 9,507,296	$ 20,430,619	$ 29,937,915

See notes to financial statements.

Charter Township of Genesee
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-type Activities-Enterprise Funds		
	Water	**Sewer**	**Totals**
Cash flows from operating activities			
Cash received from customers	$ 1,472,751	$ 1,571,861	$ 3,044,612
Cash paid to employees	(109,539)	(107,996)	(217,535)
Cash paid to suppliers	(1,077,555)	(1,402,111)	(2,479,666)
Net cash provided by operating activities	285,657	61,754	347,411
Cash flows from capital and related financing activities			
Proceeds from property tax levy (restricted for debt service)	-	220,801	220,801
Collection of customer assessments	125,160	86,351	211,511
Payments on long-term advances to (from) other funds	(46,210)	46,210	-
Principal and interest paid on long-term debt	(188,427)	(528,452)	(716,879)
Purchase or construction of fixed assets	(27,428)	(429,465)	(456,893)
Net cash used in capital and related financing activities	(136,905)	(604,555)	(741,460)
Cash flows from investing activities			
Purchase of investments	(5,157)	(12,053)	(17,210)
Interest received on investments	62,418	113,959	176,377
Net cash provided by investing activities	57,261	101,906	159,167
Net increase (decrease) in cash and cash equivalents	206,013	(440,895)	(234,882)
Cash and cash equivalents at beginning of year	2,122,920	4,423,581	6,546,501
Cash and cash equivalents at end of year	$ 2,328,933	$ 3,982,686	$ 6,311,619
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	$ 402,836	$ (147,911)	$ 254,925
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	98,144	273,389	371,533
Loss on disposal of fixed assets	4,280	4,280	8,560
Changes in assets and liabilities:			
Receivables	2,462	(23,566)	(21,104)
Due from other funds	(69,445)	(60,430)	(129,875)
Prepaid items	-	(2,784)	(2,784)
Accounts payable	(138,968)	(21,237)	(160,205)
Accrued and other liabilities	1,247	2,157	3,404
Due to other governments	-	5,000	5,000
Due to other funds	(14,899)	32,856	17,957
Net cash provided by operating activities	$ 285,657	$ 61,754	$ 347,411

See notes to financial statements.

Charter Township of Genesee
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

Assets

Cash and cash equivalents	$	3,754,165
Investments		27,327
Total assets	$	3,781,492

Liabilities

Accounts payable	$	73,419
Due to other funds		1,113,052
Due to other governments		2,567,694
Cemetery endowment deposit payable		27,327
Total liabilities	$	3,781,492

See notes to financial statements.

Notes to Basic Financial Statements

I. Summary of significant accounting policies

A. Reporting entity

In accordance with the criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity, the financial statements of the Charter Township of Genesee, Michigan (primary government), contain all the Township funds, account groups, and component units that are controlled by, or dependent on, the Township's executive or legislative branches. Control by the Township was determined on the basis of appointment of governing authority with an ability of the Township to impose its will or for which a financial benefit/burden exists. Fiscal dependence on the primary government was determined by budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and scope of public service.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units:

The Genesee Township Building Authority is governed by a Board that is appointed by the Township Board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. All of the Building Authority's debt has been defeased and the Authority is currently inactive.

Discretely presented component units:

The Economic Development Corporation is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the Township so as to provide needed services and facilities of such enterprises. The Corporation's chief activity has been to develop and sell lots in the Dort-Carpenter Industrial Park. In fiscal year 2004, the EDC donated the Dort-Carpenter Industrial Park to the Township. Currently, the EDC is available to advise the Township on tax abatements and serve as a mechanism for future economic development. The Corporation's governing body, which consists of three individuals, is selected by the Township Board. The Corporation's financial information is included in these financial statements; it does not publish separately issued financial statements.

B. Government-wide and fund financial statements

During the year ended December 31, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

I. Summary of significant accounting policies – (continued)

B. Government-wide and fund financial statements – (continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

The government reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System Fund are separate funds that are maintained for the operations of the water distribution system and sewage pumping and collection system that transport the sewage to Genesee County's Treatment Plant.

Additionally, the government reports the following fund types:

Agency Funds - Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits

The Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are stated at fair value.

2. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "'advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

3. Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items at December 31, 2004.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended December 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to January 1, 2004 and record those assets on the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	15-50
Building improvements	30
Public domain infrastructure	15-100
System infrastructure	15-100
Vehicles	5-7
Office equipment	5-10
Computer equipment	5
Land and land improvements	-

5. Property tax

The Township levies property taxes on December 1 each year based on assessed values established the prior December 1. These taxes become liens on the property at that date and are collected without penalty through February 28 of the following year. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund and not distributed prior to year end are recorded as due to other funds/governments. These monies are subsequently distributed to the appropriate funds and/or governments in the ensuing budget year. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis in the General Fund.

Property taxes are levied based on taxable values of property located in the Township. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the December 2004 tax levy is as follows:

	Assessed Value	Taxable Value
Real property	$342,285,930	$438,240,930
Personal property	26,506,285	26,506,285
Total	$368,792,215	$464,747,215

The Township is permitted by charter to levy up to $5.00 (5 mills) per $1,000 of state equalized value for general governmental services. For the year ended December 31, 2004 (i.e. the December 2004 tax roll), the Township levied 4.77 mills per $1,000 of taxable value for general operations. The Township is permitted to levy unlimited amounts for payment of Pre-Headlee general long-term debt obligations. For the year ended December 31, 2004, .41 mills were being levied for long-term debt retirement in the Sewer Fund.

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

7. Fund equity

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

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	$338,684
Compensated absences	119,538
Net adjustment to reduce *fund balance -total governmental funds* to arrive at *net assets -governmental activities*	$458,222

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Donated land	$ 499,500
Capital outlay	360,405
Depreciation expense	(231,394)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 628,511

III. Stewardship, compliance, and accountability

A. Budgetary information

Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, a proposed operating budget for the fiscal year commencing January 1 is presented. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget for the General Fund is legally enacted on an activity basis through passage of a resolution and in accordance with Public Act 621 of the State of Michigan.
4. Formal budgetary integration is employed as a management control device during the year for each budgeted activity. The budgets are adopted on a basis consistent with generally accepted accounting principles.
5. Budget appropriations lapse at year end except for approved contracts which are appropriated on a contract (grant) length basis. Encumbrances are not included as expenditures at year end. The amount of encumbrances outstanding at December 31, 2004, is not known.
6. Budgeted amounts are reported on the financial statements at the final amended budget amounts (or original amounts if not amended) by the Township Board.

B. Excess of expenditures over appropriations

There were no individual cost centers that incurred expenditures in excess of appropriations.

IV. Detailed notes on all funds

A. Deposits and investments

Deposits:

At year end, the carrying amount of the Township's deposits was $9,917,898, excluding petty cash of $800, and the bank balance was $9,960,311. The bank balance does not include significant deposits in transit. Of the bank balance $776,421, or 8%, was insured and $9,183,890, or 92%, was uninsured or uncollateralized. Certificates of deposit represented $1,700,304 of the balance.

Investments:

State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks, and mutual funds comprised of the above authorized investments. The Township Board has adopted the above as its investment policy and additionally approved the following as authorized depositories: Bank One, Republic Bank, First of Michigan, National City, Standard Federal, State Savings, Heritage Federal Savings, Oakland Commerce Bank, Macomb Community Bank, Fifth Third Bank, Dort Federal Credit Union, Davison State Bank, and MBIA.

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Investments: - (continued)

General accepted accounting principles (GAAP) requires that the Township categorize its investments by risk assumed. The Township held repurchase agreements with a carrying amount of $4,277,415 and fair value of the same amount. The money market funds are uninsured and unregistered investments for which the securities are held by the pledging financial institution or by its trust department or agent, but not in the Township's name. These money market funds are classified as cash equivalents in the general purpose financial statements due to their high liquidity.

B. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ -	$ 499,500	$ -	$ 499,500
Total capital assets, not being depreciated	-	499,500	-	499,500
Capital assets, being depreciated:				
Buildings	1,787,510	41,777	-	1,829,287
Vehicles	1,828,286	191,882	-	2,020,168
Machinery and equipment	36,500	82,900	-	119,400
Road improvements	-	43,846	-	43,846
Total capital assets being depreciated	3,652,296	360,405	-	4,012,701
Less accumulated depreciation for:				
Buildings	(1,725,507)	(17,102)	-	(1,742,609)
Vehicles	(1,249,823)	(195,043)	-	(1,444,866)
Machinery and equipment	(14,357)	(17,057)	-	(31,414)
Road improvements	-	(2,192)	-	(2,192)
Total accumulated depreciation	(2,989,687)	(231,394)	-	(3,221,081)
Total capital assets, being depreciated, net	662,609	129,011	-	791,620
Governmental activities capital assets, net	$ 662,609	$ 628,511	$ -0-	$ 1,291,120

IV. Detailed notes on all funds – (continued)

B. Capital assets – (continued)

Primary Government – (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 7,000	$ -	$ -	$ 7,000
Total capital assets, not being depreciated	7,000	-	-	7,000
Capital assets, being depreciated:				
Buildings and system	32,123,253	435,763	-	32,559,016
Vehicles	70,113	21,130	(17,710)	73,533
Machinery and equipment	67,404	-	-	67,404
Total capital assets, being depreciated	32,260,770	456,893	(17,710)	32,699,953
Less accumulated depreciation for:				
Buildings and system	(8,666,388)	(348,565)	-	(9,014,953)
Vehicles	(48,228)	(3,152)	9,150	(42,230)
Machinery and equipment	(41,494)	(6,085)	-	(47,579)
Total accumulated depreciation	(8,756,110)	(357,802)	9,150	(9,104,762)
Total capital assets, being depreciated, net	23,504,660	99,091	(8,560)	23,595,191
Business-type activities capital assets, net	$23,511,660	$ 99,091	$ (8,560)	$23,602,191
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	$ 499,500	$ -	$ (499,500)	$ -
Total capital assets, not being depreciated	$ 499,500	$ -0-	$ (499,500)	$ -0-

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

Governmental activities:	
Current:	
General government	$ 29,754
Public safety	199,449
Highway and streets	2,191
Total depreciation expense – governmental activities	$231,394
Business-type activities:	
Water	$ 98,144
Sewer	259,658
Total depreciation expense – Business-type activities	$357,802

IV. Detailed notes on all funds – (continued)

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2004 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Storm Drain	$ 44,003
Sanitary Sewer	Tax	135,534
Sanitary Sewer	General	2,794
General	Water	6,111
General	Community Development	9,118
General	Debt Service	14,400
General	Tax	879,600
General	Capital Projects	1,000
General	Trust and Agency	1,761
General	Central Disbursements	3,206
Water	Sanitary Sewer	616,696
Water	Tax	70,532
Tax	Debt Service	8,930
General	Drug Forfeiture	16,695
Total		$1,810,380

Individual fund interfund advances receivable and payable balances at December 31, 2004, are shown below:

	Advance Receivable	Advance Payable
Enterprise Funds:		
Water Utility Fund	$ -	$945,172
Sewer Utility Fund	945,172	-
	$945,172	$945,172

This twenty year advance from the Sewer Utility Fund to the Water Utility Fund bears interest at 5.5% per year and requires semi-annual principal and interest payments of $50,054. Final payment is due January 1, 2018.

D. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government. All Michigan Municipal Bond Authority debt is secured by future State of Michigan Revenue Sharing payments the Township is entitled to receive under state law. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

IV. Detailed notes on all funds – (continued)

D. Long-term debt – (continued)

Bond and contractual obligation activity can be summarized as follows:

	General Obligation Bonds	Revenue Bonds and Notes	Accumulated Annual and Sick Pay	Capital Leases
Governmental activities:				
Debt at January 1, 2004	$ 35,152	$ -	$106,671	$373,289
New debt	-	-	12,866	-
Principal payments made	(23,030)	-	-	(46,726)
Total governmental activities long-term debt at December 31, 2004	12,122	-	119,537	326,563

The following is a summary of Business Type long-term debt transactions of the Township for the year ended December 31, 2004:

	General Obligation Bonds	Revenue Bonds and Notes	Accumulated Annual and Sick Pay	Capital Leases
Business type activities:				
Long-term debt payable at January 1, 2004	2,005,335	1,430,000	-	-
New debt	-	-	-	-
Principal payments made	(450,896)	(70,000)	-	-
Total business type activities long-term debt at December 31, 2004	1,554,439	1,360,000	-	-
Total long-term debt - all activities December 31, 2004	$1,566,561	$1,360,000	$119,537	$326,563

IV. Detailed notes on all funds – (continued)

D. Long-term debt – (continued)

A summary of bond transactions for the year ended December 31, 2004, and the composition of the December 31, 2004, long-term debt balance follows:

	Final Payment Due	Interest Rate or Range	Balance at December 31, 2003	Retirements During Year	Balance at December 31, 2004	Due Within One Year
Governmental activities:						
Dort-Carpenter 1978						
Series A	6/1/2004	6.00-8.00%	$ 20,000	$ (20,000)	$ -	$ -
Hughes Twenty Drain	4/1/2008		15,152	(3,030)	12,122	3,030
2001 Fire Truck	2/5/2008	5.89	155,585	(27,661)	127,924	29,290
2002 Fire Truck	1/24/2010	Prime +1	217,704	(19,065)	198,639	29,049
Total governmental activities			$ 408,441	$ (69,756)	$ 338,685	$ 61,369
Business-type activities:						
Enterprise funds:						
Water Revenue Bond						
Series 1998	3/1/2018	4.40-6.40	$1,430,000	$ (70,000)	$1,360,000	$ 75,000
Sanitary System No.1	4/1/2004		53,498	(53,498)	-	-
Series C-1998 Refunding	4/1/2008	3.70-4.55	1,515,000	(310,000)	1,205,000	305,000
Sanitary System No. 2	4/1/2008		436,880	(87,441)	349,439	87,376
Total business-type activities			$3,435,378	$ (520,939)	$2,914,439	$467,376
Component unit:						
Dort-Carpenter 1978						
Series A	6/1/2004	6.00-8.00%	$ 7,609	$ (7,609)	$ -0-	$ -0-

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2005	$ 61,369	$ 18,600	$ 467,311	$122,930
2006	64,608	15,158	467,376	102,379
2007	68,028	11,533	462,376	82,143
2008	71,639	7,718	462,376	61,735
2009-2013	73,041	5,756	450,000	206,529
2014-2018	-	-	605,000	78,543
Total	$338,685	$ 58,765	$2,914,439	$654,259

IV. Detailed notes on all funds – (continued)

D. Long-term debt – (continued)

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10% of the assessed real and personal property in the Township. As of December 31, 2004, the Charter Township of Genesee had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10% limit computation.

Advance refundings and defeasances:

In prior years, the Township defeased its Building Authority bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At December 31, 2004, $125,000 of bonds outstanding is considered defeased.

During 1998, the Township defeased its 1977 Genesee County Sanitary Sewer contract, Series C by the issuing the 1998 Series C Refunding bonds. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old contract. Accordingly, the trust account assets and the liability for the defeased contract are not included in the general purpose financial statements. At December 31, 2004, $1,500,000 of the contract outstanding is considered defeased.

V. Other information

A. Retirement plans and other post-employment benefits

1. Defined benefit pension plan

Plan description:

The Township has elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The system provides retirement benefits, as well as death and disability benefits. Service retirement benefits vest after 10 years of service or after age 60 is attained; payment is based as follows:

- For police officers, 2% of the three-year final average compensation multiplied by the credited years of service
- For elected officials, 2.5% of the five-year final average compensation (FAC) multiplied by the credited years of service, with a maximum benefit of 80% of FAC
- For general employees, 2.25% of the five-year final average compensation (FAC) multiplied by the credited years of service, with a maximum benefit of 80% of FAC

Deferred retirement benefits vest after 15 years of service, but are not paid until age 55. The obligation to contribute to and maintain the system for these employees was established by Township board resolution and requires no contribution from the employees.

V. Other information – (continued)

A. Retirement plans and other post-employment benefits – (continued)

1. Defined benefit pension plan – (continued)

Plan description: - (continued)

Membership in the plan at December 31, 2003, the date of the latest actuarial valuation, is comprised of 56 active members, 1 inactive vested members, and 22 retirees and beneficiaries.

Funding policy:

The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

Actuarial assumptions:

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2003
Actuarial cost method	Entry age normal actuarial
Amortization method	Level percentage of payroll
Remaining amortization period	32 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0%
Projected salary increases	0% - 4.16%
Includes inflation at	4.5%
Cost of living adjustments (COLA)	up to 2.5%

Annual pension cost:

The Township's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended December 31, 2004 was $480,744. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at December 31, 2004. The Annual Pension Cost (APC), percentage of APC contributed, and Net pension obligation (NPO) for the years ended December 31, 2002 through December 31, 2004, are summarized as follows:

Plan Year Ended	Actuarial Valuation Date	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/02	12/31/01	$296,184	100%	$ -
12/31/03	12/31/02	303,252	100	-
12/31/04	12/31/03	480,744	100	-

The Plan's Schedule of Funding Progress can be found in the Required Supplementary Information section, located at page 34.

V. Other information – (continued)

A. Retirement plans and other post-employment benefits – (continued)

2. Post-employment benefits

Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. These benefits are provided by contractual agreement and are paid annually by the General Fund. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled $153,101 during the year ended December 31, 2004. The total number of eligible retirees amounted to 23 individuals at December 31, 2004, with 18 participating. There are no provisions for employee contributions.

B. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically, the expenditures have exceeded revenues. The activity related to construction code activity for the year ended December 31, 2004 is as follows:

Construction permit revenue	$ 84,150
Expenditures:	
Professional services	124,739
Revenue over (under) expenditures	$(40,589)

C. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims, and participates in the Michigan Municipal League risk pool for claims relating to property, general liability and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The Township participates in various federally assisted programs. These programs are subject to compliance audits in accordance with Single Audit Act. A single audit was not required since the Township expended less than $500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Township expects such amounts to be immaterial.

V. Other information – (continued)

D. Land transfer from Economic Development Corporation

The Economic Development Corporation (EDC) had land inventory with a cost of $881,602 that was available for sale for industrial development. The land was improved by the Township back in the 1970's by adding infrastructure via Economic Development Bonds. During 2004, the land inventory was deeded to the general fund and was transferred from the component unit to the primary government. The EDC recognized an $881,602 expenditure related to the donation of the land inventory in 2004.

It was determined that the land inventory was overvalued in the EDC and the fair value was $499,500. As a result, the primary government recognized a $499,500 capital contribution in 2004 for the fair value of the land.

Required Supplementary Information

Charter Township of Genesee
Required Supplementary Information
Analysis of Funding Progress
December 31, 2004

Pension Plan
Schedule of Funding Progress

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
12/31/03	12/31/01	$3,508,031	$6,041,015	$2,532,984	58%	$1,974,517	128%
12/31/04	12/31/02	3,856,990	6,706,491	2,849,501	58	2,080,698	137
12/31/05	12/31/03	4,538,294	9,025,051	4,486,757	50	2,270,884	198

Supplemental Section

Charter Township of Genesee
Nonmajor Governmental Funds
Summary Descriptions
December 31, 2004

Special Revenue Fund

The Community Development Fund is used to account for activities relating to Community Development federal projects.

Debt Service Funds

The Dort-Carpenter 1978 Series A Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The Storm Drain Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources used for the construction of major capital improvements within the Township.

Charter Township of Genesee
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Special Revenue	Capital Projects	Debt Service		
	Community Development	Capital Projects	Dort - Carpenter 1978 Series A	Storm Drain	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ -	$ 2,213	$ 7,389	$ 58,843	$ 68,445
Investments	-	1,402,783	-	-	1,402,783
Due from other funds	-	-	8,930	-	8,930
Due from other governments	9,118	-	-	-	9,118
Total assets	$ 9,118	$ 1,404,996	$ 16,319	$ 58,843	$ 1,489,276
Liabilities					
Due to other funds	$ 9,118	$ 1,000	$ 14,400	$ 44,003	$ 68,521
Deferred revenue	-	-	2,021	-	2,021
Total liabilities	9,118	1,000	16,421	44,003	70,542
Fund Balances					
Unreserved, undesignated	-	1,403,996	(102)	14,840	1,418,734
Total liabilities and fund balances	$ 9,118	$ 1,404,996	$ 16,319	$ 58,843	$ 1,489,276

Charter Township of Genesee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Special Revenue	Capital Projects	Debt Service		
	Community Development	Capital Projects	Dort - Carpenter 1978 Series A	Storm Drain	Total Nonmajor Governmental Funds
Revenues					
Intergovernmental:					
Federal	$ 88,805	$ -	$ -	$ -	$ 88,805
State	21,168	-	-	-	21,168
Special assessments	-	-	8,269	-	8,269
Interest	-	16,661	3,925	508	21,094
Total revenues	109,973	16,661	12,194	508	139,336
Expenditures					
Health and welfare	109,973	-	-	-	109,973
Administrative costs and other	-	-	830	11	841
Capital outlay	-	63,784	-	-	63,784
Debt service:					
Principal redemption	-	46,726	20,000	3,030	69,756
Interest and fiscal charges	-	29,497	1,048	944	31,489
Total expenditures	109,973	140,007	21,878	3,985	275,843
Deficiency of revenues over expenditures	-	(123,346)	(9,684)	(3,477)	(136,507)
Fund balance at beginning of year	-	1,527,342	9,582	18,317	1,555,241
Fund balance at end of year	$ - 0 -	$ 1,403,996	$ (102)	$ 14,840	$ 1,418,734

Charter Township of Genesee
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Amounts	(Unfavorable)
Revenues				
Intergovernmental:				
Federal	$ 375,000	$ 375,000	**$ 88,805**	$ (286,195)
State	-	-	**21,168**	21,168
Total revenues	375,000	375,000	**109,973**	(265,027)
Expenditures				
Health and welfare	375,000	375,000	**109,973**	265,027
Total expenditures	375,000	375,000	**109,973**	265,027
Excess of revenues over expenditures	-	-	**-**	-
Fund balance at beginning of year	-	-	**-**	-
Fund balance at end of year	$ - 0 -	$ - 0 -	**$ - 0 -**	$ - 0 -

Charter Township of Genesee
Agency Funds
Combining Balance Sheet
For the Year Ended December 31, 2004

	Current Tax Fund	General Trust and Agency	Drug Forfeiture	Total
Assets				
Cash and cash equivalents	$ 3,653,360	$ 50,747	$ 50,058	$ 3,754,165
Investments	-	27,327	-	27,327
	$ 3,653,360	$ 78,074	$ 50,058	$ 3,781,492
Liabilities				
Accounts payable	$ -	$ 40,056	$ 33,363	$ 73,419
Due to other funds	1,094,596	1,761	16,695	1,113,052
Due to other governments	2,558,764	8,930	-	2,567,694
Cemetery endowment deposits payable	-	27,327	-	27,327
Total liabilities	$ 3,653,360	$ 78,074	$ 50,058	$ 3,781,492

Charter Township of Genesee
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Current Tax Fund				
Assets				
Cash and cash equivalents	$ 2,123,484	$ 15,106,893	$ 13,577,017	$ 3,653,360
Total assets	$ 2,123,484	$ 15,106,893	$ 13,577,017	$ 3,653,360
Liabilities				
Due to other funds	$ 665,304	$ 4,100,065	$ 3,670,773	$ 1,094,596
Due to other governments	1,458,180	26,172,071	25,071,487	2,558,764
Total liabilities	$ 2,123,484	$ 30,272,136	$ 28,742,260	$ 3,653,360
General Trust and Agency Fund				
Assets				
Cash and cash equivalents	$ 76,307	$ 149,939	$ 175,499	$ 50,747
Investments	26,561	766	-	27,327
Total assets	$ 102,868	$ 150,705	$ 175,499	$ 78,074
Liabilities				
Accounts payable	$ 69,361	$ 152,067	$ 181,372	$ 40,056
Due to other funds	1,304	19,370	18,913	1,761
Due to other governments	5,642	73,327	70,039	8,930
Cemetery endowments deposits payable	26,561	766	-	27,327
Total liabilities	$ 102,868	$ 245,530	$ 270,324	$ 78,074
Drug Forfeiture				
Assets				
Cash and cash equivalents	$ 56,202	$ 75,572	$ 81,716	$ 50,058
Liabilities				
Accounts payable	$ 56,202	$ 229,467	$ 252,306	$ 33,363
Due to other funds	-	16,695	-	16,695
	$ 56,202	$ 246,162	$ 252,306	$ 50,058
Total All Agency Funds				
Assets				
Cash and cash equivalents	$ 2,255,993	$ 15,332,404	$ 13,834,232	$ 3,754,165
Investments	26,561	766	-	27,327
Total assets	$ 2,282,554	$ 15,333,170	$ 13,834,232	$ 3,781,492
Liabilities				
Accounts payable	$ 125,563	$ 381,534	$ 433,678	$ 73,419
Due to other funds	666,608	4,136,130	3,689,686	1,113,052
Due to other governments	1,463,822	26,245,398	25,141,526	2,567,694
Cemetery endowments deposits payable	26,561	766	-	27,327
Total liabilities	$ 2,282,554	$ 30,763,828	$ 29,264,890	$ 3,781,492

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March 24, 2005

To the Honorable Members of the Board
of the Charter Township of Genesee

We have audited the financial statements of the Charter Township of Genesee for the year ended December 31, 2004, and have issued our report thereon dated March 24, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, 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 accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Genesee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters 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 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.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Genesee are

Flint: 111 E. Court St., Suite 1A, Flint, MI 48502-1647 • (810) 767-5350 • FAX (810) 767-8150
Ann Arbor: 2144 S. State St., Suite D, Ann Arbor, MI 48104-8107 • (734) 994-1044 • FAX (734) 747-9824

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described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by the Charter Township of Genesee 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. Genesee Township did implement GASB 34 for the first time for the year ended December 31, 2004.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of fixed assets. We evaluated the lives used and feel that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimates of the pension actuarial accrued liability and the actuarial value of assets for the MERS Pension Trust. These estimates are prepared by independent actuaries of the pension trust. We evaluated the specific assumptions used and feel that they are reasonable in relation to the overall financial statement presentation.

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 judgment, may not have been detected, except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Charter Township of Genesee's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose 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 some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management (primarily the Township Controller) each year prior to retention as the Charter Township of Genesee's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Status of Prior Year Recommendations

1. **Post Retirement Health Care Benefits (P.A. 149 of 1999 and GASB 45)**

   In 2003, we noted that the Township is paying post retirement health benefit costs for eligible employees. We recommended that the Township consider setting aside funds by creating a retirees health care fund and establishing a trust in accordance with P.A. 149 of 1999. No fund or trust was established in fiscal year 2004.

2. **GASB 34**

   We recommended that the Township continue work to implement GASB 34, especially the identification of fixed assets and related depreciation. GASB 34 was implemented for the year ended December 31, 2004. The Township has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to January 1, 2004 and record those assets on the financial statements.

3. **MERS Retirement Rate**

   We noted that the contribution rate increased approximately 5%, due to the fall in the market affecting the Fund. We recommend that the Township continue to monitor the retirement system to be able to project the impact on the budget. The subsequent actuarial (12/31/03) appears to use a contribution rate consistent with that of 2003.

2004 Comments and Recommendations

1. **Ethics Policy**

   Many organizations, including governments, are reviewing their policies for changes in the wake of the accounting scandals of Enron and other companies. We recommend the Township consider adopting an Ethics policy. Such a policy would convey the expectation that ethical business practices occur at all times. This policy would also set the tone for all employees including management to follow. Also, an avenue should be provided for employees to disclose any instances of unethical behavior of their co-workers or supervisors.

2. Trust and Agency Fund

We recommend that the fund's accounts be analyzed and adjusted. Several accounts were noted that did not agree with the underlying support schedules.

3. GASB 45

A new pronouncement, GASB 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" (OPEB) has been issued that will affect how governments will record a liability regarding OPEB benefits.

Among the requirements is that the government calculate the OPEB liability used on certain parameters and that an actuarial valuation be obtained periodically to base the liability. The Township will not be required to implement the standard until the year ended December 31, 2008 however, we recommend that an actuarial valuation be obtained so that the Township will be able to anticipate the impact on the financial statements.

We want to thank the Township staff for their cooperation and courtesy afforded us during the audit. We want also to thank the Township Board for the opportunity to serve as the Township's independent auditors.

This report is intended solely for the information of the Charter Township of Genesee and the State of Michigan, and is not intended to be and should not be used by anyone other than those specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office