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 | **Township of Richfield** | **Genesee** |

| Audit Date | Opinion Date | Date Accountant Report Submitted to State: |
|---|---|---|
| **6/30/04** | **8/25/04** | |

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

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 E. Court Street, Suite 1A** | **Flint** | **MI** | **48502** |
| Accountant Signature | | Date | |
| Peggy Haw Jury | | 11/15/04 | |

# Annual Financial Report

## Township of Richfield
## Genesee County, Michigan

## June 30, 2004

**Township of Richfield**
**Annual Financial Report**
**For the Fiscal Year Ended June 30, 2004**

## Table of Contents


Page

Introductory Section:

List of Elected Officials ..... 1

Financial Section:

Independent Auditors' Report ..... 2-3

Management's Discussion and Analysis ..... 4-8

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets ..... 9

Statement of Activities ..... 10-11

Fund Financial Statements:

Balance Sheet Governmental Funds ..... 12

Reconciliation of the Fund Balance as Reported in the Governmental Balance Sheet to the Statement of Net Assets ..... 13

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..... 14

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 15

Statement of Net Assets – Proprietary Fund ..... 16

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds ..... 17

Statement of Cash Flows – Proprietary Funds ..... 18

Statement of Net Assets – Fiduciary Funds ..... 19

Statement of Changes in Fiduciary Net Assets ..... 20

Notes to the Basic Financial Statements ..... 21-39

**Township of Richfield**
**Annual Financial Report**
**For the Fiscal Year Ended June 30, 2004**

## Table of Contents


Page

Required Supplementary Information Section:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) General and Major Special Revenue Funds ..... 40-50

Analysis of PERS Funding Progress ..... 51-52

Combining Fund Statements and Fund Descriptions:

Fund Descriptions ..... 53-54

Combining Statements:

Combining Balance Sheet – Non-major Governmental Funds ..... 55

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds ..... 56

# Introductory Section

**Annual Financial Report**
**Township of Richfield**
**June 30, 2004**

## List of Elected Officials

| | |
|---|---|
| Supervisor | James Jacques |
| Clerk | Lisa Holmes |
| Treasurer | Joyce Schneider |
| Trustees | Dennis Montague<br>Norma Vohwinkle |

# Financial Section

*Independent Auditors' Report*

Members of the Township Board
Township of Richfield
Genesee County, Michigan

We have audited the basic financial statements of the Township of Richfield, Michigan as of June 30, 2004, and for the year then ended. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic 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 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 June 30, 2004.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Township of Richfield, Michigan at June 30, 2004, and the results of its operations and the cash flows of its proprietary fund types 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 4 through 8 and the information in the required supplemental information section on pages 40 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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 basic financial statements. The introductory section combining and individual non-major fund financial statements presented on pages 55 and 56 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 25, 2004

# Management's Discussion and Analysis

**Township of Richfield**
**Management's Discussion and Analysis**

This section of the Township of Richfield's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the Township's financial statements, which follow this section.

**First Year - Governmental Accounting Standards Board Statement No.34**

The Township of Richfield is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the Township of Richfield is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the Township of Richfield to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The Township of Richfield will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Township's Total Net Assets are $8,531,744
- During the year, the Township's expenses were $222,637 less than the $2,048,289 generated in taxes, other revenues and other financing sources for governmental programs.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $1,792,956 or 83% of the total general fund expenditures.
- General fund revenues exceeded expenditures by $276,208.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
    - * The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
    - * Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and sewer system.

* Fiduciary fund statements provide information about the financial relationships – like the retirement plan for the Township's employees – in which the Township acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non major governmental funds each of which are added together and presented in single columns in the basic financial statements.

Table 1 (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 - Major Features of the Township of Richfield**
**Government-wide and Fund Financial Statements**

| Type of Statements | Government-wide | Governmental Funds | Proprietary Funds | Fiduciary Funds |
|---|---|---|---|---|
| Scope | Entire Township government (except fiduciary funds) | The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks | Activities the Township operates similar to private businesses: the water and sewer system | Instances in which the Township is the trustee or agent for someone else's resources, such as the retirement plan for the Township employees |
| Required financial statements | • Statement of net assets<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures and changes in fund balances | • Statement of net assets<br>• Statement of revenues, expenses and changes in fund net assets<br>• Statement of cash flows | • Statement of fiduciary net assets<br>• Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Township are divided into three categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public service, and parks departments and general administration. Property taxes and sales tax finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.

- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- In fact, the Township's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The Township is the trustee, or fiduciary, for its employees' group pension plan. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**Financial Analysis of the Township as a Whole**

**Changes in Net assets**

The Township's combined net assets are $8,531,744. In comparison, last year net assets were $8,129,862 an increase of $401,882.

**Governmental-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 Richfield Township, assets exceeded liabilities by $8,531,744 at the close of the most recent fiscal year.

By far the larges portion of the Township's net assets ( 59 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township'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.

**Financial Analysis of the Township's Funds**

As the Township completed the year, its governmental funds reported a combined fund balance surplus of $1,846,423, $222,637 better than last year.

In addition, these other changes in fund balances should be noted:

- Garbage fund net assets decreased by $11,296
- The debt service fund was closed after payment in full of the Main interceptor note payable

**General Fund Budgetary Highlights**

- Due to state budget cuts the budgeted amounts for state shared revenue was less than anticipated
- Community Development Block grant revenue was budgeted for park and building improvements. The projects did not occur during the current fiscal year.

**Capital Assets**

At the end of 2004, the Township had invested $5,037,264 in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having townships gather together all of the required information, GASB has allowed townships not to retroactively report infrastructure assets

**Long-term Debt**

At year-end the Township had $591,771 in bonds and notes outstanding for governmental activities and $315,000 in bonds and notes outstanding for business type activities.

**Limitations on Debt**

The State limits the amount of installment purchase agreement debt outstanding for the Township to 1.25% of the Township's taxable value. The current installment agreement does not exceed 1.25% of the Township's taxable value.

**Economic Factors**

The unemployment rate in Genesee County reached as high as 8.3% during 2004.

**Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 5381 North State Road, Davison, Michigan 48423.

# Basic Financial Statements

# Government-wide Financial Statements

**Township of Richfield**
**Statement of Net Assets**
**June 30, 2004**

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **Assets** | | | |
| Cash and equivalents | $ 1,703,228 | $ 119,118 | $ 1,822,346 |
| Investments | - | 1,388,294 | 1,388,294 |
| Receivables: | | | |
| Taxes | 11,629 | - | 11,629 |
| Accounts | 20,151 | 23,579 | 43,730 |
| Tap-ins | - | 153,122 | 153,122 |
| Due from other governments | 193,611 | 2,290 | 195,901 |
| Internal balances | 3,053 | (3,053) | - |
| Prepaid items | 14,071 | - | 14,071 |
| Capital assets (net of accumulated depreciation) | 1,129,765 | 4,814,270 | 5,944,035 |
| Total assets | 3,075,508 | 6,497,620 | 9,573,128 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable | 80,013 | 8,472 | 88,485 |
| Accrued liabilities | 17,988 | 27,800 | 45,788 |
| Due to other governments | 90 | 250 | 340 |
| Noncurrent liabilities: | | | |
| Due within one year | 33,407 | 20,000 | 53,407 |
| Due in more than one year | 558,364 | 295,000 | 853,364 |
| Total liabilities | 689,862 | 351,522 | 1,041,384 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 537,994 | 4,499,270 | 5,037,264 |
| Restricted for: | | | |
| Garbage | 34,211 | - | 34,211 |
| Street lighting | 3,698 | - | 3,698 |
| Retirees health care | 15,558 | - | 15,558 |
| Unrestricted | 1,794,185 | 1,646,828 | 3,441,013 |
| Total net assets | $ 2,385,646 | $ 6,146,098 | $ 8,531,744 |

*See notes to financial statements.*

**Township of Richfield**
**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: | | | |
| General government | $ 427,610 | $ 240,407 | $ - |
| Public safety | 947,915 | 564,844 | 4,987 |
| Public service | 343,990 | 284,983 | - |
| Recreation and cultural | 34,086 | - | - |
| Interest on long-term debt | 30,240 | - | - |
| Total governmental activities | 1,783,841 | 1,090,234 | 4,987 |
| Business-type activities | | | |
| Water | 219,625 | 275,500 | - |
| Sewer | 374,198 | 427,126 | - |
| Total business-type activities | 593,823 | 702,626 | - |
| Total primary government | $ 2,377,664 | $ 1,792,860 | $ 4,987 |

General revenues:
- Property taxes
- Sales tax
- Unrestricted investment earnings
- Gain on disposal of capital assets

Transfers in (out)

Total general revenues and transfers

Change in net assets

Net assets - beginning

**Net assets - ending**

*See notes to financial statements.*

**Net (Expense) Revenue and Changes in Net Assets**

| Primary Government | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total |
| $ (187,203) | $ - | $ (187,203) |
| (378,084) | - | (378,084) |
| (59,007) | - | (59,007) |
| (34,086) | - | (34,086) |
| (30,240) | - | (30,240) |
| (688,620) | - | (688,620) |
| - | 55,875 | 55,875 |
| - | 52,928 | 52,928 |
| - | 108,803 | 108,803 |
| (688,620) | 108,803 | (579,817) |
| 327,910 | - | 327,910 |
| 594,527 | - | 594,527 |
| 18,587 | 27,396 | 45,983 |
| 13,279 | - | 13,279 |
| 2,277 | (2,277) | - |
| 956,580 | 25,119 | 981,699 |
| 267,960 | 133,922 | 401,882 |
| 2,117,686 | 6,012,176 | 8,129,862 |
| $ 2,385,646 | $ 6,146,098 | $ 8,531,744 |

# Fund Financial Statements

**Township of Richfield**
**Balance Sheet**
**Governmental Funds**
**June 30, 2004**

| | General Fund | Garbage Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 1,702,986 | $ - | $ 241 | **$ 1,703,227** |
| Receivables: | | | | |
| Taxes | 10,400 | - | 1,229 | **11,629** |
| Accounts | 20,151 | - | - | **20,151** |
| Prepaid items | 14,071 | - | - | **14,071** |
| Due from other funds | 685,548 | 34,211 | 21,033 | **740,792** |
| Due from other governments | 198,722 | - | - | **198,722** |
| Total assets | $ 2,631,878 | $ 34,211 | $ 22,503 | **$ 2,688,592** |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 80,013 | $ - | $ - | **$ 80,013** |
| Accrued liabilities | 17,989 | - | - | **17,989** |
| Due to other funds | 740,830 | - | 2,018 | **742,848** |
| Due to other governments | 90 | - | - | **90** |
| Deferred revenue - current | - | - | 1,229 | **1,229** |
| Total liabilities | 838,922 | - | 3,247 | **842,169** |
| Fund balances: | | | | |
| Reserved for garbage expenditures | - | 34,211 | - | **34,211** |
| Reserved for retirement health care | - | - | 15,558 | **15,558** |
| Reserved for lighting | - | - | 3,698 | **3,698** |
| Reserved for long-term receivable | 7,347 | - | - | **7,347** |
| Reserved for prepaid expenses | 14,071 | - | - | **14,071** |
| Reserved for drug forfeiture | 1,529 | - | - | **1,529** |
| Reserved for building department | 47,504 | - | - | **47,504** |
| Reserved for metro act | 11,941 | - | - | **11,941** |
| Unreserved: | | | | |
| Designated for subsequent years expenditures | 13,461 | - | - | **13,461** |
| Undesignated | 1,697,103 | - | - | **1,697,103** |
| Total fund balances | 1,792,956 | 34,211 | 19,256 | **1,846,423** |
| Total liabilities and fund balances | $ 2,631,878 | $ 34,211 | $ 22,503 | **$ 2,688,592** |

*See notes to financial statements.*

**Township of Richfield**
**Reconciliation of the Fund Balance as Reported in the Governmental Balance Sheet to the Statement of Net Assets**
**For the Year Ended June 30, 2004**

| | |
|---|---|
| Total Governmental Funds Fund balance as reported in the Balance Sheet Governmental Funds | $ 1,846,423 |
| Amounts reported for governmental activites 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. | 1,129,765 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,229 |
| Long term liabilities, including installment purchase agreements, are not due and payable in the current period, and therefore, are not reported in the funds. | (591,771) |
| Net Assets - Governmental Activities | $ 2,385,646 |

*See notes to financial statements.*

**Township of Richfield**
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2004**

| | General | Garbage Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 887,496 | $267,139 | $ 17,183 | $ 1,171,818 |
| Licenses and permits | 108,276 | - | - | 108,276 |
| State grants | 597,794 | - | - | 597,794 |
| Local grants | 3,778 | - | - | 3,778 |
| Charges for services | 67,777 | - | - | 67,777 |
| Interest | 17,771 | 42 | 775 | 18,588 |
| Other revenue | 80,258 | - | - | 80,258 |
| Total revenues | 1,763,150 | 267,181 | 17,958 | 2,048,289 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 363,085 | - | 39,893 | 402,978 |
| Public safety | 942,049 | - | - | 942,049 |
| Public service | 80,457 | 278,477 | 13,487 | 372,421 |
| Recreation and cultural | 34,086 | - | - | 34,086 |
| Debt service: | | | | |
| Principal | 32,475 | - | 13,680 | 46,155 |
| Interest and charges | 30,190 | - | 50 | 30,240 |
| Total expenditures | 1,482,342 | 278,477 | 67,110 | 1,827,929 |
| Excess (deficiency) of revenues over expenditures | 280,808 | (11,296) | (49,152) | 220,360 |
| **Other financing sources (uses):** | | | | |
| Operating transfer in | - | - | 6,877 | 6,877 |
| Operating transfer out | (4,600) | - | - | (4,600) |
| Total other financing sources | (4,600) | - | 6,877 | 2,277 |
| Net change in fund balances | 276,208 | (11,296) | (42,275) | 222,637 |
| Fund balance - beginning | 1,516,748 | 45,507 | 61,531 | 1,623,786 |
| **Fund balance - ending** | $ 1,792,956 | $ 34,211 | $ 19,256 | $ 1,846,423 |

*See notes to financial statements.*

**Township of Richfield**
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**
**For the Year Ended June 30, 2004**

Amounts reported for governmental activites in the statement of activities (page 11) are different because:

| | |
|---|---|
| Net Change in fund balances - total governmental funds (page 14) | $ 222,637 |
| Governmental funds report capital outlay as expenditures. However in the statement of activites the cost of these assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation and losses on disposal of capital assets exceeded capital outlays in the current period. | (2,061) |
| The payment of principal on long term debt consumes the current financial resources of the governmental funds. However, on the statement of net assests, repayments of principal are recorded as a reduction to long term debt payable and do not affect net assets. | 46,155 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | 1,229 |
| Changes in net assets of governmental activities (page 11) | $ 267,960 |

*See notes to financial statements.*

**Township of Richfield**
**Statement of Net Assets**
**Proprietary Fund**
**June 30, 2004**

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water Utility | Sewer Utility | Totals |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ - | $ 119,118 | **$ 119,118** |
| Investments | - | 1,388,294 | **1,388,294** |
| Receivables: | | | |
| Accounts receivable | - | 23,579 | **23,579** |
| Tap-in contracts - current | 129 | 2,620 | **2,749** |
| Due from other funds | 678,964 | - | **678,964** |
| Due from other governments | 2,290 | - | **2,290** |
| Total current assets | 681,383 | 1,533,611 | **2,214,994** |
| Noncurrent assets: | | | |
| Tap-in contracts - non current | 136,002 | 14,371 | **150,373** |
| Fixed assets - net of accumulated depreciation | 1,173,104 | 3,641,166 | **4,814,270** |
| Total noncurrent assets | 1,309,106 | 3,655,537 | **4,964,643** |
| Total assets | $ 1,990,489 | $ 5,189,148 | **$ 7,179,637** |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 4,920 | $ 3,552 | **$ 8,472** |
| Accrued liabilities | 27,800 | - | **27,800** |
| Due to other funds | - | 682,017 | **682,017** |
| Due to other governments | - | 250 | **250** |
| Bond payable - current | 20,000 | - | **20,000** |
| Total current liabilities | 52,720 | 685,819 | **738,539** |
| Noncurrent liabilities: | | | |
| Bond payable - non current | 295,000 | - | **295,000** |
| Total noncurrent liabilities | 295,000 | - | **295,000** |
| Total liabilities | 347,720 | 685,819 | **1,033,539** |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 858,104 | 3,641,166 | **4,499,270** |
| Unrestricted | 784,665 | 862,163 | **1,646,828** |
| Total net assets | 1,642,769 | 4,503,329 | **6,146,098** |
| Total liabilities and net assets | $ 1,990,489 | $ 5,189,148 | **$ 7,179,637** |

*See notes to financial statements.*

**Township of Richfield**
**Statement of Revenues, Expenses, and**
**Changes in Net Assets**
**Proprietary Funds**
**For the Year Ended June 30, 2004**

| | Business-type Activities-Enterprise Funds | | |
|---|---|---|---|
| | Water Utility | Sewer Utility | Totals |
| **Operating revenues:** | | | |
| Sewer and water fees | $ 184,690 | $ 316,260 | $ 500,950 |
| Late charges | 2,610 | 6,073 | 8,683 |
| Total operating revenues | 187,300 | 322,333 | 509,633 |
| **Operating expenses:** | | | |
| Sewer treatment cost | - | 223,974 | 223,974 |
| Water usage cost | 157,354 | - | 157,354 |
| Maintenance | 4,458 | 40,417 | 44,875 |
| Office cost | - | 1,050 | 1,050 |
| Audit | 600 | 1,100 | 1,700 |
| Professional fees | - | 12,533 | 12,533 |
| Depreciation | 12,883 | 46,183 | 59,066 |
| Salaries | 17,980 | 34,870 | 52,850 |
| Social Security | 1,359 | 2,646 | 4,005 |
| Insurance | 4,278 | 8,065 | 12,343 |
| Pension | 1,903 | 3,360 | 5,263 |
| Total operating expenses | 200,815 | 374,198 | 575,013 |
| Operating loss | (13,515) | (51,865) | (65,380) |
| **Non-operating revenues (expenses):** | | | |
| Miscellaneous revenues | 910 | - | 910 |
| Tap-in fees | 88,200 | 104,793 | 192,993 |
| Interest on tap-in fees | 9,746 | 1,187 | 10,933 |
| Interest on investments | 3,320 | 12,233 | 15,553 |
| Interest on bonds | (18,810) | - | (18,810) |
| Total non-operating revenues | 83,366 | 118,213 | 201,579 |
| Net income before operating transfers | 69,851 | 66,348 | 136,199 |
| **Operating transfers out** | - | (2,277) | (2,277) |
| Change in net assets | 69,851 | 64,071 | 133,922 |
| Net assets - beginning | 1,572,918 | 4,439,258 | 6,012,176 |
| **Net assets - ending** | $ 1,642,769 | $ 4,503,329 | $ 6,146,098 |

*See notes to financial statements.*

**Township of Richfield**
**Statements of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2004**

| | Water Utility | Sewer Utility | Totals |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash received from customers | $ 187,780 | $ 324,440 | $ 512,220 |
| Cash payments to suppliers and employees | (188,847) | (348,322) | (537,169) |
| Net cash used in operating activities | (1,067) | (23,882) | (24,949) |
| **Cash flows from investing activities:** | | | |
| Purchase of investments | - | (388,294) | (388,294) |
| Interest on investments | 3,320 | 12,233 | 15,553 |
| Net cash provided by (used in) investing activities | 3,320 | (376,061) | (372,741) |
| **Cash flows from non-capital financing activities:** | | | |
| Payments received and paid to other funds | (89,671) | 92,064 | 2,393 |
| Transfer to other funds | - | (2,277) | (2,277) |
| Miscellaneous revenue | 910 | - | 910 |
| Net cash provided by (used in) non-capital financing activities | (88,761) | 89,787 | 1,026 |
| **Cash flows from capital and related financing activities:** | | | |
| Repayment of bonds payable | (20,000) | - | (20,000) |
| Interest on bonds | (18,810) | - | (18,810) |
| Tap in revenue | 125,318 | 108,331 | 233,649 |
| Net cash provided by capital and related financing activities | 86,508 | 108,331 | 194,839 |
| Net decrease in cash and cash equivalents | - | (201,825) | (201,825) |
| Cash and cash equivalents - beginning | - | 320,943 | 320,943 |
| **Cash and cash equivalents - ending** | $ - 0 - | $ 119,118 | $ 119,118 |
| **Reconciliation of operating loss to net cash used in operating activities:** | | | |
| Operating loss | $ (13,515) | $ (51,865) | $ (65,380) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Depreciation | 12,883 | 46,183 | 59,066 |
| Change in assets and liabilities: | | | |
| Decrease in accounts receivable | - | 2,057 | 2,057 |
| Decrease in due from other governments | 480 | 50 | 530 |
| Increase (decrease) in accounts payable | 85 | (18,207) | (18,122) |
| Decrease in accrued liabilities | (1,000) | - | (1,000) |
| Decrease in due to other governments | - | (2,100) | (2,100) |
| Net cash used in operating activities | $ (1,067) | $ (23,882) | $ (24,949) |

*See notes to financial statements.*

**Township of Richfield**
**Statement of Fiduciary Net Assets**
**Fiduciary Funds**
**June 30, 2004**

| | Pension Trust Funds | Agency Funds: Current Tax Fund | Agency Funds: General Agency |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 2,423 | $ 4,181 | $ - |
| Investments | 144,643 | - | - |
| Due from other funds | - | - | 8,400 |
| Total assets | $ 147,066 | $ 4,181 | $ 8,400 |
| **Liabilities** | | | |
| Accounts payable | $ 1,572 | $ - | $ - |
| Due to other funds | - | 3,289 | - |
| Due to other governments | - | 892 | 8,400 |
| Total liabilities | 1,572 | 4,181 | 8,400 |
| **Net Assets** | | | |
| Held in trust for pension benefits | 145,494 | - | - |
| Total liabilities and net assets | $ 147,066 | $ 4,181 | $ 8,400 |

*See notes to financial statements.*

**Township of Richfield**
**Statement of Changes in Fiduciary Net Assets**
**Pension Trust Fund**
**For the Year Ended June 30, 2004**

| | | |
|---|---|---|
| **Additions:** | | |
| Contributions | $ | 30,095 |
| Investment income: | | |
| Interest | | 25,305 |
| Total additions | | 55,400 |
| **Deductions:** | | |
| Transfer to MERS plan | | 123,951 |
| Change in net assets | | (68,551) |
| Net assets - beginning of year | | 214,045 |
| **Net assets - end of year** | $ | 145,494 |

*See notes to financial statements.*

# Notes to Basic Financial Statements

## I. Summary of significant accounting policies

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

### A. Reporting entity:

The Township of Richfield is located in the northeast portion of Genesee County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, recreation, planning and general administrative services.

### B. Government-wide and fund financial statements

During the year ended June 30, 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.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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. There are no component units.

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.

**I. Summary of significant accounting policies** – (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* 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, 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.

The government reports the following major governmental funds:

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.

Garbage fund is used to account for garbage collections.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System funds are maintained for the operations of the water distribution system and sewage pumping and collection statements.

Additionally, the government reports the following fund types:

Pension Trust fund accounts for the activities utilized to pay retirement benefits for the Township's retirees, excluding police officers and AFSCME union employees who participate in a MERS pension plan. The fund accumulates resources for pension benefits financed by both employer and employee contributions.

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Pension Trusts and Agency funds are reported as fiduciary funds

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.

## I. Summary of significant accounting policies – (continued)

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

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

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 *non-operating* 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 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 non-operating 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.

### D. Assets, liabilities, and net assets or equity

1. Deposits

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

2. Investments:

   Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

   In general, outstanding balances between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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."

   All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

4. Prepaid items

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**I. Summary of significant accounting policies** – (continued)

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

5. 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 $1,000 (amount not rounded) and an estimated useful life in excess of three 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 June 30, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township is not required to retroactively determine costs and accumulated depreciation prior to July 1, 2003.

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.

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 |
|---|---|
| Building and additions | 39 |
| Computer equipment | 3 |
| Furniture and equipment | 7 |
| Equipment under capital lease | 7 |
| Police vehicles and equipment | 3-10 |

6. Accumulated unpaid vacation pay

For police officers, unused vacation days are allowed to be carried forward, (maximum of five days) if scheduling conflicts arise, and used in subsequent year. (AFSCME employees are not allowed to carry over vacation days.) Accumulated vacation pay at June 30, 2004, is nominal and, therefore, has not been recorded in the financial statements of the Township.

7. 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.

- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## I. Summary of significant accounting policies – (continued)

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

8. 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.

9. Property tax

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from July 1 to September 15, and December 1 through February 28 each year. The delinquent real property taxes of the Township are purchased by the County of Genesee; delinquent personal property taxes continue to be collected by the Township and are recorded as revenue as collected. The Township considers property taxes as available if they are collected within 60 days after year end.

For the year ended June 30, 2004, the Township levied .9141 mills for general operations. The Township also levied a special millage of .4899 for fire services, which expires July 16, 2021. Special assessments are assessed for police protection, lights, and garbage.

## 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:

| | |
|---|---|
| Installment purchase agreement | $590,933 |
| Capital leases payable | 838 |
| Net adjustment to reduce *fund balance -total governmental funds* to arrive at *net assets -governmental activities* | $591,771 |

## II. Reconciliation of government-wide and fund financial statements – (continued)

### 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:

| | |
|---|---|
| Capital outlay | $ 66,271 |
| Depreciation expense | (68,332) |
| Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $ (2,061) |

## III. Stewardship, compliance, and accountability

### Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the Township budget hearing, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a fund basis through passage of a motion and in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year-end.
7. Budgeted amounts are reported on the financial statements for the year as amended by the Township Board.

## IV. Detailed notes on all funds

### A. Deposits and investments

The Township's deposits consist of savings accounts, checking accounts, certificates of deposit, and money markets. At year-end, the carrying amount of the Township's deposits excluding petty cash of $450 was $2,729,780 and the bank balance was $2,894,496. The bank balance was above the book balance due to checks outstanding at year-end. Of the bank balance, $341,252, or 12%, was covered by federal depository insurance; the remainder of the balance was uninsured and uncollateralized. Certificates of deposit in the amount of $1,388,294 are recorded as investments in the financial statements due to a maturity of greater than 90 days.

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

| | Governmental Activities | Business Type Activities | Fiduciary Funds | Total Primary Government |
|---|---|---|---|---|
| Cash and cash equivalents | $1,703,228 | $ 119,118 | $ 6,604 | $1,828,950 |
| Investments | - | 1,388,294 | - | 1,388,294 |
| Total | $1,703,228 | $1,507,412 | $ 6,604 | $3,217,244 |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|---|---|
| Bank deposits (checking and savings accounts, certificates of deposits) | $2,729,780 |
| Investments in sweep accounts | 487,014 |
| Petty cash and cash on hand | 450 |
| Total | $3,217,244 |

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.

2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

## IV. Detailed notes on all funds – (continued)

### A. Deposits and investments – (continued)

At year end, the Township's categorized investment balances were as follows:

| | Category 1 | Category 2 | Category 3 | Total Amount |
|---|---|---|---|---|
| Cash management accounts | $ - | $ - | $144,132 | $144,132 |
| Repurchase agreement (checking sweep accounts) | - | 342,882 | - | 342,882 |
| Total investments | $ -0- | $342,882 | $144,132 | $487,014 |

The Township has adopted an investment policy. Under the investment policy, funds of Richfield Township will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance the following objectives, safety of capital, diversification, liquidity and return of investment. In accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, the surplus of funds of the Township may be invested as follows:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, commercial paper, repurchase agreements, Bankers' acceptances of United States banks, mutual funds, investment pools organized under the surplus funds investment pool act, 1982 PA 367, and investment pools organized under the local government investment pool act, 1985 PA 121.

The Township has authorized the following depositories: Citizens Bank and Bank One.

### B. Receivables

Receivables as of year end for the Township's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

| | General | Garbage Fund | Non-major Funds | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Taxes | $ 10,400 | $ - | $ 1,229 | $ 11,629 |
| Accounts | 20,151 | - | - | 20,151 |
| Gross receivables | 30,551 | - | 1,229 | 31,780 |
| Less: allowance for uncollectibles | - | - | - | - |
| Net total receivables | $ 30,551 | $ -0- | $ 1,229 | $ 31,780 |

## IV. Detailed notes on all funds – (continued)

### B. Receivables – (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|---|---|
| Delinquent property taxes receivable | $ 1,229 | $ - |
| Total deferred/unearned revenue for governmental funds | $ 1,229 | $ -0- |

Business type activities:

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| Receivables: | | | |
| Accounts | $ - | $ 23,579 | $ 23,579 |
| Tap-ins | 136,131 | 16,991 | 153,122 |
| Gross receivables | 136,131 | 40,570 | 176,701 |
| Less: allowance for uncollectibles | - | - | - |
| Net total receivables | $136,131 | $ 40,570 | $176,701 |

**IV. Detailed notes on all funds** – (continued)

**C. Capital assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

**Primary Government**

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 234,421 | $ - | $ - | $ 234,421 |
| Total capital assets, not being depreciated | 234,421 | - | - | 234,421 |
| Capital assets, being depreciated: | | | | |
| Buildings and additions | 1,092,304 | - | 1,237 | 1,091,067 |
| Computer equipment | 44,995 | 2,800 | 3,600 | 44,195 |
| Furniture and equipment | 28,081 | 1,239 | 1,332 | 27,988 |
| Equipment under capital lease | 6,698 | - | - | 6,698 |
| Police vehicles | 166,599 | 64,231 | 61,554 | 169,276 |
| Total capital assets being depreciated | 1,338,677 | 68,270 | 67,723 | 1,339,224 |
| Less accumulated depreciation for: | | | | |
| Buildings and additions | (258,397) | (22,438) | - | (280,835) |
| Computer equipment | (39,196) | (1,249) | - | (40,445) |
| Furniture and equipment | (20,759) | (1,458) | - | (22,217) |
| Equipment under capital lease | (2,584) | (957) | - | (3,541) |
| Police vehicles | (54,612) | (42,230) | - | (96,842) |
| Total accumulated depreciation | (375,548) | (68,332) | - | (443,880) |
| Total capital assets, being depreciated, net | 963,129 | (62) | (67,723) | 895,344 |
| Governmental activities capital assets, net | $1,197,550 | $ (62) | $ (67,723) | $1,129,765 |
| **Business-type activities:** | | | | |
| Capital assets, being depreciated: | | | | |
| Equipment | $ 1,744 | $ - | $ - | $ 1,744 |
| Investment in sewer lines | 4,552,353 | - | - | 4,552,353 |
| Investment in water lines | 1,260,649 | - | - | 1,260,649 |
| Total capital assets, being depreciated | 5,814,746 | - | - | 5,814,746 |
| Less accumulated depreciation for: | | | | |
| Equipment | (700) | (348) | - | (1,048) |
| Investment in sewer lines | (865,603) | (45,983) | - | (911,586) |
| Investment in water lines | (75,107) | (12,735) | - | (87,842) |
| Total accumulated depreciation | (941,410) | (59,066) | - | (1,000,476) |
| Total capital assets, being depreciated, net | 4,873,336 | (59,066) | - | 4,814,270 |
| Business-type activities capital assets, net | $4,873,336 | $ (59,066) | $ -0- | $4,814,270 |

## IV. Detailed notes on all funds – (continued)

### C. Capital assets – (continued)

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

| | |
|---|---|
| Governmental activities: | |
| Current: | |
| General government | $ 25,868 |
| Public safety | 42,464 |
| Total depreciation expense – governmental activities | $ 68,332 |
| Business-type activities: | |
| Water | $ 12,883 |
| Sewer | 46,183 |
| Total depreciation expense – Business-type activities | $ 59,066 |

### D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Debt service | $ 2,018 |
| | Sewer | 680,241 |
| | Tax | 3,289 |
| Retirement Health Care | General | 15,558 |
| Debt Service | Sewer | 1,777 |
| Water | General | 678,964 |
| Garbage | General | 34,211 |
| Trust and Agency | General | 8,400 |
| Street lighting | General | 3,698 |
| | | $1,428,156 |

| | Transfer In Non-major Governmental |
|---|---|
| Transfer out: | |
| General fund | $ 4,600 |
| Sewer fund | 2,277 |
| Total transfers out | $ 6,877 |

Transfers between funds were primarily for operating purposes.

## IV. Detailed notes on all funds – (continued)

### E. Capital leases

The Township is obligated under a copier lease that is accounted for as a capital lease. The leased asset and related obligation is accounted for in the governmental activities. The annual payments are to be made by the General Fund. The asset under capital lease valued at $6,690 was acquired November 2001. A bargain option exists at the end of the lease period. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004:

| Year Ending June 30, | |
|---|---|
| 2005 | $ 861 |
| Less: Amount representing interest at the Township's incremental borrowing rate of interest | 23 |
| Present value of minimum lease payments | $ 838 |

### F. Long-term debt

Contractual agreements and installment purchase agreements are general obligations of the government. 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.

Bond and contractual obligation activity can be summarized as follows:

| | Revenue Bonds and Notes | Installment Purchase Agreement | Capital Leases |
|---|---|---|---|
| Governmental Activities: | | | |
| Debt at July 1, 2003 | $ - | $635,247 | $ 2,721 |
| Principal payments made | - | (44,314) | (1,883) |
| Total governmental activities long-term debt | - | 590,933 | 838 |

The following is a summary of Business Type long-term debt transactions of the Township for the year ended June 30, 2004:

| | | | |
|---|---|---|---|
| Business type activities: | | | |
| Long-term debt payable at July 1, 2003 | 335,000 | - | - |
| Principal payments made | (20,000) | - | - |
| Total business type activities long-term debt at June 30, 2004 | 315,000 | - | - |
| Total long-term debt - all activities June 30, 2004 | $315,000 | $590,933 | $ 838 |

**IV. Detailed notes on all funds** – (continued)

**F. Long-term debt** – (continued)

A summary of the composition of the June 30, 2004, long-term debt balance follows:

| | Final Payment Due | Interest Rate or Range | **Balance** at June 30, 2003 | Issuances (Retirements) During Year | **Balance** at June 30, 2004 | Due Within One Year |
|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | |
| Installment agreement | 10-20-07 | 4.87 | $621,525 | $ (30,592) | $590,933 | $ 32,569 |
| Capital lease obligation: | | | | | | |
| Equipment | 2005 | 0.00 | 2,721 | (1,883) | 838 | 838 |
| Purchase contract | 5-1-04 | 0.0 | 13,722 | (13,722) | - | - |
| Total Governmental Activities | | | $637,968 | $ (46,197) | $591,771 | $ 33,407 |
| Business-type Activities: | | | | | | |
| 1995 Water Revenue bonds Series 1995A | 11-1-04 | 4.5-6.0 | $335,000 | $ (20,000) | $315,000 | $ 20,000 |
| Total Business-type Activities | | | $335,000 | $ (20,000) | $315,000 | $ 20,000 |

Revenue bonds are secured by future revenues of the Water Fund.

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

| Year End | Governmental Activities | | Business Type Activities | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2005 | $ 33,407 | $ 28,054 | $ 20,000 | $ 17,791 |
| 2006 | 34,191 | 26,409 | 20,000 | 16,751 |
| 2007 | 35,894 | 24,706 | 25,000 | 15,551 |
| 2008 | 488,279 | 7,863 | 25,000 | 14,188 |
| 2009 | - | - | 25,000 | 12,750 |
| 2010-2014 | - | - | 160,000 | 36,897 |
| 2015 | - | - | 40,000 | 1,200 |
| Total | $591,771 | $ 87,032 | $315,000 | $115,128 |

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of June 30, 2004, the Township of Richfield had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

## IV. Detailed notes on all funds – (continued)

### F. Long-term debt – (continued)

Act 99, Public Acts of State 1933, authorizes the township hall using an installment purchase agreement; however the contracts outstanding for the Township may not exceed 1.25% of the Township's taxable value. The current installment agreement outstanding does not exceed 1.25% of the Township's taxable value.

## V. Other information

### A. Joint ventures

1. In January 1972, the Township of Richfield entered into a joint venture with the City of Davison and Davison Township to create the Davison Richfield Area Fire Authority (Fire Authority). The purpose of the Fire Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations, and financing within the territorial limits of the three municipalities. The Fire Authority is governed by a seven-member board appointed by the governing bodies of the city and townships. The agreement calls for each municipality to pay a charge for each fire run to a point within its jurisdictional boundary.

   The following is a summary of selected financial information of the Fire Authority.

| | Period Ended June 30, 2004 |
|---|---|
| Total assets | $2,624,787 |
| Total liabilities | 68,215 |
| Total fund equity | 2,556,572 |
| Total revenues | 585,409 |
| Total expenditures | 453,716 |
| Annual operating subsidy from Township | 123,733 |

   The Township of Richfield's interest in the Fire Authority's net assets as of June 30, 2004, was approximately 21.6%.

   Audited financial statements are available for public inspection at authority headquarters.

2. In July 1997, the Township of Richfield joined the Davison Richfield Senior Citizen's Authority (Authority) joint venture which had been created by City of Davison and Davison Township. The purpose of the Authority is to establish a centralized body for a uniform and orderly construction and operation of a senior citizen's center. The Authority is governed by a seven-member board appointed by the governing bodies of the City and Townships. The agreement calls for the City of Davison, the Township of Davison, and the Township of Richfield to pay equal amounts necessary to carry out their purpose.

   The City of Davison and the Township of Davison jointly own the old center and currently pay the operational expenses of that center. The new building is owned equally by all three units. All revenue and expense of the new center is shared evenly between the three units. (Note: the Center's buildings have been constructed with federal grants. Therefore, any proceeds from the sale of the buildings would be considered program income and have to be returned to the federal grantor.)

**V. Other information** – (continued)

**A. Joint ventures** – (continued)

2. – (continued)

The following is a summary of selected financial information of the Senior Citizen's Authority:

| | Year Ended June 30, 2004 |
|---|---|
| Total assets | $1,391,178 |
| Total liabilities | 23,384 |
| Total fund equity | 1,367,794 |
| Total revenues | 129,999 |
| Total expenditures | 141,168 |
| Annual operating subsidy from Township | 26,904 |

Audited financial statements are available for public inspection at authority headquarters.

**B. Deferred compensation**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. The Township's plan administrator, Nationwide Retirement Solution (NRS), created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not shown on the Township's financial statements to reflect that the Township no longer has any fiduciary or administrative responsibility for the plan.

**C. Retirement plans and other post-employment benefits**

Significant details regarding the Township's various retirement plans and other post-employment benefits are presented below:

The Township has three pension plans, one for police officers, one for all AFSCME union employees, and one for all other employees. Benefit provisions and contribution obligations have been established by the Township Board. The Township has adopted the Governmental Accounting Standards Board Statements No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans"* and No. 27, *"Accounting for Pensions by State and Local Governmental Employers"*.

a. Group Pension Trust

The Township provides pension benefits for all of its full-time employees and trustees (other than police) through the Township's Group Pension Plan. The Township's group pension plan is a defined contribution plan whereby benefits received upon termination or retirement depend solely on amounts contributed to the plan plus investment earnings.

**V. Other information** – (continued)

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

a. Group Pension Trust – (continued)

The contribution to the plan is computed on a class earnings schedule as detailed below:

| Classification | Total Contribution | Employer Portion | Employee Portion |
|---|---|---|---|
| Supervisor, Clerk, Treasurer | 12% of wages | 12% of wages | $-0- |
| Trustees | 20.4% of wages | 20.4% of wages | $-0- |
| Current assessor | 11.75% of wages | 10.5% of wages | 1.25% of wages |

Employees also have the option to have additional amounts withheld from their pay to bring their employee pension contribution up to the maximum amount of 10% of their annual earnings.

Total employer and employee contributions for all employee groups under the plan were $27,681 and $2,738, respectively.

b. Police Officers' Pension Plan:

(1) Plan description:

During the year ended March 31, 1996, the Township elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their police officers. 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 does not have fiduciary responsibility for the plan.

Membership in the plan at June 30, 2004 is comprised of 9 active members. There are no inactive vested members, retirants, or beneficiaries.

Police employees who retire at or after age 50, with ten or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension for policemen is calculated as follows: credited service at time of termination multiplied by 2.5% of the member's final average compensation (5 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

The plan provides that the employer/police employees contribute amounts necessary to fund the actuarially determined benefits. Police employees are required to deposit 4.0% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest.

**V. Other information** - (continued)

**C. Retirement plans and other post-employment benefits** - (continued)

b. Police Officers' Pension Plan: - (continued)

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) Police Officers' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | December 31, 2003 |
| Actuarial Cost Method | Entry age normal cost method |
| Amortization Method | Level percent |
| Remaining amortization period | 34 years |
| Asset valuation method | 5 year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases | 4.5% - 8.66% |
| Includes inflation at | 4.5% |
| Cost-of-living adjustments | None |

For the year ended June 30, 2004, the Township's annual pension cost of $42,113 for the police officer's pension plan was equal to the Township's required and actual contributions.

c. AFSCME Union Employees Pension Plan

(1) Plan description:

During the year ended June 30, 2004, the Township elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their AFSCME Union employees. 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 does not have fiduciary responsibility for the plan.

Membership in the plan at June 30, 2004 is comprised of 5 active members. There are no inactive vested members, retirants, or beneficiaries.

**V. Other information** - (continued)

**C. Retirement plans and other post-employment benefits** - (continued)

c. AFSCME Union Employees Pension Plan: – (continued)

(1) Plan description: - (continued)

AFSCME Union employees who retire at or after age 55, with 25 or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension is calculated as follows: credited service at time of termination multiplied by 2.5% of the member's final average compensation (5 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

The plan provides that the employer/AFSCME Union employees contribute amounts necessary to fund the actuarially determined benefits. AFSCME Union employees are required to deposit 3.16% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest.

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) AFSCME employees' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | December 1, 2003 |
| Actuarial Cost Method | Entry age normal cost method |
| Amortization Method | Level percent |
| Remaining amortization period | 30 years |
| Asset valuation method | 5 year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases | 4.5% |
| Includes inflation at | 4.5% |
| Cost-of-living adjustments | None |

For the year ended June 30, 2004, the Township's annual pension cost of $2,795 for the AFSCME Union employees' plan was equal to the Township's required and actual contributions.

## V. Other information - (continued)

### C. Retirement plans and other post-employment benefits - (continued)

d. Post employment benefits other than pension

The Township provides health benefits to certain employees after they retire. Collective bargaining unit agreements provide that health, medical, and life insurance benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees covered under a bargaining unit, age 55 or older with the specified years of continuous service are eligible.

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, two retirees were eligible to receive these benefits. For the year, $8,925 was expended in the General Fund to provide these benefits.

The Township has established a Retirement Health Care Special Revenue Fund to accumulate resources to pay for post employment benefits in the future.

## VI. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

## VII. Building department revenues and expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires 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 operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The 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. The activity related to construction code activities for the year ended June 30, 2004 is as follows:

| | | |
|---|---|---|
| Total revenues | | $ 64,865 |
| Total expenses | $ 65,624 | |
| Less: Ordinance violation costs | 2,150 | |
| Net expenses | | 63,474 |
| Excess revenues over expenses | | 1,391 |
| Reserved fund balance 6/30/2003 | | 46,113 |
| Reserved fund balance 6/30/2004 | | $ 47,504 |

The fund balance in the General Fund has been reserved in the amount of $47,504 for building department activities at June 30, 2004.

# Required Supplementary Information

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **Revenues:** | | | | |
| Operating taxes: | | | | |
| Current property tax | $ 172,447 | $ 172,447 | $ 172,369 | $ (78) |
| Current fire mileage | 92,421 | 92,421 | 92,370 | (51) |
| Current police assessment | 550,000 | 550,000 | 557,158 | 7,158 |
| Current road special assessment (Vassar) | 662 | 662 | 661 | (1) |
| Trailer park fees | 3,000 | 3,000 | 2,995 | (5) |
| Administration fee | 57,073 | 57,073 | 61,943 | 4,870 |
| Total taxes | 875,603 | 875,603 | 887,496 | 11,893 |
| Licenses and permits: | | | | |
| Entertainment permit | 25 | 25 | - | (25) |
| Contractor license | 1,250 | 1,250 | 1,350 | 100 |
| Peddler licenses | 100 | 100 | 100 | - |
| Board of Appeals | 750 | 750 | 75 | (675) |
| Planning Commission | 2,500 | 2,500 | 4,969 | 2,469 |
| Impact fee | 30,000 | 30,000 | 36,917 | 6,917 |
| Building permits | 64,715 | 64,715 | 64,865 | 150 |
| Total licenses and permits | 99,340 | 99,340 | 108,276 | 8,936 |
| Intergovernmental revenue: | | | | |
| State shared revenue | 625,000 | 625,000 | 594,527 | (30,473) |
| Community Development Block Grant | 71,000 | 71,000 | - | (71,000) |
| SSR police training | 500 | 500 | 1,209 | 709 |
| Local grants/contributions | 3,500 | 3,500 | 3,778 | 278 |
| Liquor license fees | 2,500 | 2,500 | 2,058 | (442) |
| Total intergovernmental revenue | 702,500 | 702,500 | 601,572 | (100,928) |
| Charges for services: | | | | |
| District Court fees | 32,500 | 32,500 | 48,437 | 15,937 |
| Witness fees | 25 | 25 | - | (25) |
| Miscellaneous | 2,550 | 2,550 | 12,899 | 10,349 |
| Dog licenses fees | 100 | 100 | 113 | 13 |
| Police reports | 1,500 | 1,500 | 1,603 | 103 |
| Vehicle impound | 3,750 | 3,750 | 4,025 | 275 |
| Land revisions | 500 | 500 | 700 | 200 |
| Total charges for service | 40,925 | 40,925 | 67,777 | 26,852 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Other revenue: | | | | |
| Interest | 18,500 | 18,500 | 17,771 | (729) |
| Sale of fixed assets | 5,000 | 5,000 | 13,279 | 8,279 |
| Refunds and rebates | 10,000 | 10,000 | 3,774 | (6,226) |
| Davison Cablevision | 50,000 | 50,000 | 63,205 | 13,205 |
| Total other revenue | 83,500 | 83,500 | 98,029 | 14,529 |
| Total revenues | 1,801,868 | 1,801,868 | 1,763,150 | (38,718) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government: | | | | |
| Township Board | | | | |
| Salary/bookkeeper | 4,216 | 4,216 | 4,548 | (332) |
| Salary/supervisor | 3,509 | 3,509 | 3,509 | - |
| Salary/clerk | 5,258 | 5,258 | 5,258 | - |
| Salary/trustees | 10,027 | 10,027 | 10,026 | 1 |
| Salary/employees | 5,152 | 5,152 | 5,408 | (256) |
| Part-time employees | 1,000 | 1,000 | 732 | 268 |
| Meeting fees | 500 | 500 | - | 500 |
| Social security | 2,269 | 2,269 | 2,761 | (492) |
| Insurance benefits | 8,685 | 8,685 | 8,878 | (193) |
| Pension | 4,041 | 4,041 | 3,067 | 974 |
| Court appearance | 25 | 25 | - | 25 |
| Office supplies and postage | 7,500 | 7,500 | 8,485 | (985) |
| Telephone | 950 | 950 | 742 | 208 |
| Utilities | 1,950 | 1,950 | 1,399 | 551 |
| Professional fees | 7,550 | 7,550 | 7,730 | (180) |
| Membership dues | 4,750 | 4,750 | 4,640 | 110 |
| Mileage | 500 | 500 | 350 | 150 |
| Notices and printing | 2,500 | 2,500 | 1,398 | 1,102 |
| Insurance and bonds | 13,500 | 13,500 | 14,612 | (1,112) |
| Equipment maintenance | 6,000 | 6,000 | 7,077 | (1,077) |
| Miscellaneous | 2,750 | 2,750 | 106 | 2,644 |
| Conference and workshops | 1,000 | 1,000 | 272 | 728 |
| Capital outlay | 34,000 | 34,000 | 2,567 | 31,433 |
| Disaster Contingency Fund | 1,000 | 1,000 | - | 1,000 |
| Contingency | 1,000 | 1,000 | - | 1,000 |
| Total township board | 129,632 | 129,632 | 93,565 | 36,067 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Supervisor | | | | |
| Salary/supervisor | 3,860 | 3,860 | 3,860 | - |
| Social security | 295 | 295 | 291 | 4 |
| Pension | 463 | 463 | 317 | 146 |
| Office supplies and postage | 100 | 100 | 45 | 55 |
| Mileage | 100 | 100 | - | 100 |
| Miscellaneous | 100 | 100 | - | 100 |
| Conference and workshops | 500 | 500 | - | 500 |
| Capital outlay | 500 | 500 | - | 500 |
| Contingency | 100 | 100 | - | 100 |
| Total supervisor | 6,018 | 6,018 | 4,513 | 1,505 |
| Clerk | | | | |
| Salary/clerk | 18,404 | 18,404 | 18,404 | - |
| Salary/deputy clerk | 500 | 500 | 28 | 472 |
| Insurance benefits | 3,454 | 3,454 | 3,332 | 122 |
| Social security | 1,446 | 1,446 | 1,410 | 36 |
| Pension | 2,208 | 2,208 | 2,250 | (42) |
| Office supplies and postage | 350 | 350 | 231 | 119 |
| Membership dues | 50 | 50 | 40 | 10 |
| Mileage | 100 | 100 | 164 | (64) |
| Equipment maintenance | 200 | 200 | - | 200 |
| Miscellaneous | 100 | 100 | 20 | 80 |
| Conference and workshops | 500 | 500 | 366 | 134 |
| Capital outlay | 500 | 500 | - | 500 |
| Contingency | 500 | 500 | - | 500 |
| Total clerk | 28,312 | 28,312 | 26,245 | 2,067 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Treasurer | | | | |
| Salary/treasurer | 10,338 | 10,338 | 10,338 | - |
| Salary/deputy treasurer | 500 | 500 | 1,056 | (556) |
| Insurance benefits | 4,163 | 4,163 | 3,961 | 202 |
| Social security | 829 | 829 | 872 | (43) |
| Pension | 1,241 | 1,241 | 1,264 | (23) |
| Office supplies and postage | 100 | 100 | 74 | 26 |
| Membership dues | 50 | 50 | 20 | 30 |
| Mileage | 850 | 850 | 787 | 63 |
| Equipment maintenance | 250 | 250 | - | 250 |
| Miscellaneous | 100 | 100 | 84 | 16 |
| Conference and workshops | 250 | 250 | 179 | 71 |
| Capital outlay | 500 | 500 | - | 500 |
| Contingency | 500 | 500 | - | 500 |
| Total treasurer | 19,671 | 19,671 | 18,635 | 1,036 |
| Township hall and grounds | | | | |
| Janitorial fees | 4,200 | 4,200 | 4,260 | (60) |
| Operating supplies | 2,000 | 2,000 | 955 | 1,045 |
| Insurance and bonds | 4,000 | 4,000 | 5,094 | (1,094) |
| Utilities | 1,300 | 1,300 | 2,332 | (1,032) |
| Snow and grass removal | 4,250 | 4,250 | 3,200 | 1,050 |
| Building repairs | 7,500 | 7,500 | 3,495 | 4,005 |
| Building remodeling | 4,000 | 4,000 | 3,500 | 500 |
| Miscellaneous | 500 | 500 | 425 | 75 |
| Capital outlay | 1,000 | 1,000 | - | 1,000 |
| Contingency | 1,000 | 1,000 | - | 1,000 |
| Total township hall and grounds | 29,750 | 29,750 | 23,261 | 6,489 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Election | | | | |
| Deputy clerk | 500 | 500 | 148 | 352 |
| Election fees | 2,570 | 2,570 | - | 2,570 |
| Social security | 38 | 38 | 11 | 27 |
| Office supplies and postage | 100 | 100 | 64 | 36 |
| Mileage | 50 | 50 | - | 50 |
| Notices and printing | 100 | 100 | - | 100 |
| Miscellaneous | 100 | 100 | 75 | 25 |
| Training | 1,000 | 1,000 | - | 1,000 |
| Capital outlay | 5,000 | 5,000 | - | 5,000 |
| Contingency | 100 | 100 | - | 100 |
| Total elections | 9,558 | 9,558 | 298 | 9,260 |
| Building department | | | | |
| Salary/supervisor | 4,562 | 4,562 | 4,562 | - |
| Salary/treasurer | 2,261 | 2,261 | 2,261 | - |
| Salary/clerk | 1,643 | 1,643 | 1,643 | - |
| Salary/employees | 20,060 | 20,060 | 20,769 | (709) |
| Insurance benefits | 2,516 | 2,516 | 2,598 | (82) |
| Social security | 2,182 | 2,182 | 2,213 | (31) |
| Pension | 3,186 | 3,186 | 2,564 | 622 |
| Building inspector fees | 14,500 | 14,500 | 14,500 | - |
| Building zoning admin. fees | 4,980 | 4,980 | 4,980 | - |
| Court appearance | 50 | 50 | - | 50 |
| Ordinance violations | 25 | 25 | 2,150 | (2,125) |
| Office supplies and postage | 900 | 900 | 335 | 565 |
| Telephone | 1,900 | 1,900 | 1,484 | 416 |
| Utilities | 1,300 | 1,300 | 933 | 367 |
| Professional fees | 2,000 | 2,000 | 3,210 | (1,210) |
| Membership dues | 250 | 250 | 150 | 100 |
| Mileage | 1,200 | 1,200 | 1,207 | (7) |
| Miscellaneous | 200 | 200 | - | 200 |
| Conference and workshops | 500 | 500 | 65 | 435 |
| Capital outlay | 250 | 250 | - | 250 |
| Contingency | 250 | 250 | - | 250 |
| Total building department | 64,715 | 64,715 | 65,624 | (909) |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Planning commission | | | | |
| Salary/supervisor | 3,204 | 3,204 | 3,502 | (298) |
| Salary/employees | 1,755 | 1,755 | 1,755 | - |
| Fees/zoning admin | 3,320 | 3,320 | 3,320 | - |
| Insurance benefits | 121 | 121 | 159 | (38) |
| Pension | 547 | 547 | 410 | 137 |
| Social security | 724 | 724 | 605 | 119 |
| Planning commission fees | 4,500 | 4,500 | 2,715 | 1,785 |
| Office supplies and postage | 225 | 225 | - | 225 |
| Notices and printing | 750 | 750 | 673 | 77 |
| Professional fees | 15,000 | 15,000 | 9,237 | 5,763 |
| Membership dues | 500 | 500 | 943 | (443) |
| Miscellaneous | 250 | 250 | - | 250 |
| Conferences and workshops | 500 | 500 | 400 | 100 |
| Contingency | 250 | 250 | - | 250 |
| Total planning commission | 31,646 | 31,646 | 23,719 | 7,927 |
| Board of appeals | | | | |
| Salary/employee | 1,068 | 1,068 | 1,167 | (99) |
| Pension | 112 | 112 | 89 | 23 |
| Insurance benefits | 40 | 40 | 53 | (13) |
| Social security | 174 | 174 | 178 | (4) |
| Board of appeals fees | 1,200 | 1,200 | 1,160 | 40 |
| Office supplies and postage | 75 | 75 | - | 75 |
| Notices and printing | 500 | 500 | 84 | 416 |
| Miscellaneous | 50 | 50 | - | 50 |
| Conference and workshops | 250 | 250 | - | 250 |
| Contingency | 100 | 100 | - | 100 |
| Total board of appeals | 3,569 | 3,569 | 2,731 | 838 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **Other:** | | | | |
| Audit | | | | |
| Professional fees - audit | 4,000 | 4,000 | 4,000 | - |
| Total audit | 4,000 | 4,000 | 4,000 | - |
| Property tax administration | | | | |
| Salary/employees | 11,594 | 11,594 | 11,934 | (340) |
| Salary/supervisor | 5,264 | 5,264 | 5,264 | - |
| Salary/treasurer | 7,108 | 7,108 | 7,107 | 1 |
| Salary/deputy treasurer | 4,000 | 4,000 | 3,300 | 700 |
| Board of review fees | 2,750 | 2,750 | 2,402 | 348 |
| Assessor salary | 36,121 | 36,121 | 37,351 | (1,230) |
| Salary/part-time employees | 2,000 | 2,000 | - | 2,000 |
| Overtime | 250 | 250 | - | 250 |
| Pension | 6,495 | 6,495 | 5,489 | 1,006 |
| Insurance benefits | 5,156 | 5,156 | 5,158 | (2) |
| Social security | 5,075 | 5,075 | 4,499 | 576 |
| Office supplies and postage | 2,250 | 2,250 | 3,221 | (971) |
| Tax bill/assessment notices | 2,350 | 2,350 | 4,061 | (1,711) |
| Parcel maintenance | 1,625 | 1,625 | 2,627 | (1,002) |
| Telephone | 1,900 | 1,900 | 2,100 | (200) |
| Professional fees | 1,000 | 1,000 | 2,995 | (1,995) |
| Mileage | 600 | 600 | 195 | 405 |
| Deed recording | 500 | 500 | 383 | 117 |
| Membership dues | 150 | 150 | 65 | 85 |
| Conference and workshops | 1,500 | 1,500 | 997 | 503 |
| Misc. county charges | 250 | 250 | 104 | 146 |
| Capital outlay | 2,000 | 2,000 | 1,242 | 758 |
| Contingency | 500 | 500 | - | 500 |
| Total property tax administration | 100,438 | 100,438 | 100,494 | (56) |
| Total other | 104,438 | 104,438 | 104,494 | (56) |
| Total general government | 427,309 | 427,309 | 363,085 | 64,224 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **Public safety:** | | | | |
| Police department | | | | |
| Salary/employees | 405,840 | 405,840 | 389,849 | 15,991 |
| Salary/dispatcher | 57,035 | 57,035 | 55,277 | 1,758 |
| Overtime | 8,500 | 8,500 | 6,091 | 2,409 |
| FANG | 5,000 | 5,000 | 4,014 | 986 |
| Holiday pay | 10,297 | 10,297 | 8,103 | 2,194 |
| Social security | 37,827 | 37,827 | 35,623 | 2,204 |
| Employee insurance | 117,396 | 117,396 | 116,356 | 1,040 |
| Pension | 44,666 | 44,666 | 35,429 | 9,237 |
| Court appearances | 6,300 | 6,300 | 5,242 | 1,058 |
| Office supplies and postage | 2,500 | 2,500 | 1,581 | 919 |
| Janitorial | 6,000 | 6,000 | 4,599 | 1,401 |
| Operating supplies | 3,500 | 3,500 | 1,831 | 1,669 |
| Telephone | 4,750 | 4,750 | 3,710 | 1,040 |
| Utilities | 6,500 | 6,500 | 4,664 | 1,836 |
| Uniform expense | 4,200 | 4,200 | 3,062 | 1,138 |
| Auto supplies | 1,800 | 1,800 | 1,384 | 416 |
| Lien machine | 1,500 | 1,500 | 2,423 | (923) |
| Attorney/professional fees | 40,000 | 40,000 | 22,487 | 17,513 |
| Membership dues | 550 | 550 | 510 | 40 |
| Radio repairs | 1,250 | 1,250 | 1,265 | (15) |
| Mileage | 50 | 50 | - | 50 |
| Auto repair | 5,000 | 5,000 | 4,613 | 387 |
| Gasoline and oil | 12,500 | 12,500 | 15,023 | (2,523) |
| Insurance and bonds | 20,000 | 20,000 | 26,310 | (6,310) |
| Equipment maintenance | 4,000 | 4,000 | 3,300 | 700 |
| D.A.R.E. | 6,500 | 6,500 | 5,960 | 540 |
| Drug forfeiture | 1,000 | 1,000 | 1,540 | (540) |
| Miscellaneous | 1,000 | 1,000 | 629 | 371 |
| Training | 5,000 | 5,000 | 1,025 | 3,975 |
| Conference and workshops | 2,000 | 2,000 | 541 | 1,459 |
| Education reimbursements | 2,400 | 2,400 | 932 | 1,468 |
| Capital outlay | 53,500 | 53,500 | 56,124 | (2,624) |
| Contingency | 2,500 | 2,500 | - | 2,500 |
| Total police | 880,861 | 880,861 | 819,497 | 61,364 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Fire department | | | | |
| Meeting fees | 300 | 300 | 250 | 50 |
| Social security | 23 | 23 | 19 | 4 |
| Fire runs | 142,096 | 142,096 | 122,283 | 19,813 |
| Supplies and postage | 100 | 100 | - | 100 |
| Total fire | 142,519 | 142,519 | 122,552 | 19,967 |
| Total public safety | 1,023,380 | 1,023,380 | 942,049 | 81,331 |
| **Public service:** | | | | |
| Drains | | | | |
| Drains at large | 51,700 | 51,700 | 45,573 | 6,127 |
| Contingency | 500 | 500 | 6,451 | (5,951) |
| Total drains | 52,200 | 52,200 | 52,024 | 176 |
| Street lighting | | | | |
| Street lighting usage | 11,500 | 11,500 | 10,749 | 751 |
| Road maintenance | | | | |
| Chloride | 17,000 | 17,000 | 16,165 | 835 |
| Road maintenance | 125,000 | 125,000 | 1,519 | 123,481 |
| Total road maintenance | 142,000 | 142,000 | 17,684 | 124,316 |
| Total public service | 205,700 | 205,700 | 80,457 | 125,243 |

(continued)

**Township of Richfield**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Budget and Actual (continued)**
**For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual | Variance with Final Budget - Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **Recreation and cultural:** | | | | |
| Library | | | | |
| Library meeting fees | 431 | 431 | 414 | 17 |
| Flag/cemetery expense | 350 | 350 | 317 | 33 |
| Committee expense | 4,250 | 4,250 | 4,742 | (492) |
| Contingency | 100 | 100 | - | 100 |
| Total library | 5,131 | 5,131 | 5,473 | (342) |
| Parks and recreation | | | | |
| General maintenance | 1,000 | 1,000 | 900 | 100 |
| Utilities | 1,275 | 1,275 | 427 | 848 |
| Capital outlay | 45,250 | 45,250 | - | 45,250 |
| Contingency | 100 | 100 | - | 100 |
| Total parks and recreation | 47,625 | 47,625 | 1,327 | 46,298 |
| Senior citizens authority | | | | |
| Annual contribution | 31,500 | 31,500 | 26,123 | 5,377 |
| Social security | 57 | 57 | 83 | (26) |
| Meeting fees | 750 | 750 | 1,080 | (330) |
| Total senior citizens authority | 32,307 | 32,307 | 27,286 | 5,021 |
| Total recreation and cultural | 85,063 | 85,063 | 34,086 | 50,977 |
| **Debt service:** | | | | |
| Principal retirement | 33,866 | 33,866 | 32,475 | 1,391 |
| Interest and fiscal charges | 29,600 | 29,600 | 30,190 | (590) |
| Total debt service | 63,466 | 63,466 | 62,665 | 801 |
| Total expenditures | 1,804,918 | 1,804,918 | 1,482,342 | 322,576 |
| Excess (deficiency) of revenues over expenditures | (3,050) | (3,050) | 280,808 | 283,858 |
| **Other financing sources (uses):** | | | | |
| Operating transfer out | (4,600) | (4,600) | (4,600) | - |
| Total other financing sources (uses) | (4,600) | (4,600) | (4,600) | - |
| Net change in fund balance | (7,650) | (7,650) | 276,208 | 283,858 |
| Fund balance - beginning | 1,516,748 | 1,516,748 | 1,516,748 | - |
| **Fund balance - ending** | $ 1,509,098 | $ 1,509,098 | $ 1,792,956 | $ 283,858 |

**Township of Richfield**
**Garbage Fund**
**Statement of Revenues, Expenditures,**
**and Changes in Fund Balances**
**Budget to Actual**
**For the Year Ended June 30, 2004**

| | Garbage Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Favorable (Unfavorable) |
| | Original | Final | | |
| **Revenues:** | | | | |
| Customer assessments: | | | | |
| Garbage fees | $300,225 | $300,225 | **$ 267,139** | $ (33,086) |
| Interest | - | - | **42** | 42 |
| Total revenues | 300,225 | 300,225 | **267,181** | (33,044) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Public service: | | | | |
| Garbage pickup | 302,650 | 302,650 | **278,477** | 24,173 |
| Total expenditures | 302,650 | 302,650 | **278,477** | 24,173 |
| Net change in fund balance | (2,425) | (2,425) | **(11,296)** | (8,871) |
| Fund balance - beginning | 45,507 | 45,507 | **45,507** | - |
| **Fund balance - ending** | $ 43,082 | $ 43,082 | **$ 34,211** | $ (8,871) |

**Township of Richfield**
**Required Supplementary Information**
**Analysis of Funding Progress**
**Police Officers' Pension Plan**

**Police Officers' Pension Plan**
**Schedule of Funding Progress**

| Plan Year End | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability Attained 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) |
|---|---|---|---|---|---|---|---|
| 6/30/04 | 12/31/03 | $676,865 | $1,031,711 | $354,846 | 65.6% | $412,452 | 86.0% |
| 6/30/03 | 12/31/02 | 564,383 | 906,801 | 342,418 | 62.2 | 394,705 | 86.8 |
| 6/30/02 | 12/31/01 | 485,324 | 820,547 | 335,223 | 59.1 | 350,396 | 95.6 |

**Police Officers' Pension Plan**
**Schedules of Employer Contributions**

| Plan Year End | Actuarial Valuation Date | Annual Required Contribution (ARC) | Percent Contributed |
|---|---|---|---|
| 6/30/05 | 12/31/04 | $ 39,276 | N/A |
| 6/30/04 | 12/31/03 | 37,572 | 100.0% |
| 6/30/03 | 12/31/02 | 32,868 | 100.0 |
| 6/30/02 | 12/31/01 | 27,487 | 100.0 |
| 3/31/01 | 12/31/00 | 20,724 | 100.0 |

**Police Officers' Pension Plan**
**Three Year Trend Information**

| Plan Year End | Actuarial Valuation Date | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation (NPO) |
|---|---|---|---|---|
| 6/30/04 | 12/31/03 | $ 42,113 | 100.0% | $ - |
| 6/30/03 | 12/31/02 | 30,947 | 100.0 | - |
| 6/30/02 | 12/31/01 | 31,668 | 100.0 | - |
| 6/30/01 | 12/31/00 | 29,123 | 100.0 | - |

**Township of Richfield**
**Required Supplementary Information**
**Analysis of Funding Progress**
**AFSCME Union Employees' Pension Plan**

**AFSCME Union Employees' Pension Plan**
**Schedule of Funding Progress**

| Plan Year End | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability Attained 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) |
|---|---|---|---|---|---|---|---|
| 6/30/04 | 11/1/03 | $123,951 | $185,700 | $ 61,749 | 66.7% | $158,673 | 38.9% |

**AFSCME Union Employees' Pension Plan**
**Schedules of Employer Contributions**

| Plan Year End | Actuarial Valuation Date | Annual Required Contribution (ARC) | Percent Contributed |
|---|---|---|---|
| 6/30/04 | 11/1/03 | $ 2,795 | 100.0% |

**AFSCME Union Employees' Pension Plan**
**Three Year Trend Information**

| Plan Year End | Actuarial Valuation Date | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation (NPO) |
|---|---|---|---|---|
| 6/30/04 | 11/1/03 | $ 2,795 | 100.0% | $ - |

# Combining Fund Statements and Fund Descriptions

**Township of Richfield**
**Non-Major Governmental Funds**
**Summary Descriptions**
**June 30, 2004**

## Special Revenue Funds

The Lighting Fund accounts for transactions related to special lighting districts.

The Retirement Health Care fund accounts for the accumulation of resources to be used for future payment of retiree health care expenditures.

## Debt Service Funds

The Debt Service Fund was established to accumulate resources for the payment of the Main Interceptor which was paid in full during fiscal 2004.

**Township of Richfield**
**Fiduciary Funds**
**Summary Descriptions**
**June 30, 2004**

## Pension Trust Funds

The Pension Trust Fund is used to accumulate resources for the payment of pension benefits financed by both employer and employee contributions.

## Agency Funds

The General Agency Fund is used to account for other assets held by the Township as an agent for individuals, private organizations, other governments, and other funds.

The Current Tax Fund is used to account for the distribution of tax collections.

**Township of Richfield**
**Combining Balance Sheet**
**Non-major Governmental Funds**
**June 30, 2004**

| | Special Revenue | | Debt Service | Total |
|---|---|---|---|---|
| | Lighting Fund | Retirement Health Care Fund | Debt Service Fund | Nonmajor Governmental Funds |
| **Assets** | | | | |
| Cash and cash equivalents | $ - | $ - | $ 241 | $ 241 |
| Investments | - | - | - | - |
| Receivables-taxes | - | - | 1,229 | 1,229 |
| Due from other funds | 3,698 | 15,558 | 1,777 | 21,033 |
| Total assets | $ 3,698 | $ 15,558 | $ 3,247 | $ 22,503 |
| **Liabilities** | | | | |
| Due to other funds | $ - | $ - | $ 2,018 | $ 2,018 |
| Deferred revenue | - | - | 1,229 | 1,229 |
| Total liabilities | - | - | 3,247 | 3,247 |
| **Fund balances** | | | | |
| Reserved for lighting | 3,698 | - | - | 3,698 |
| Reserved for retirement health care | - | 15,558 | - | 15,558 |
| Total fund balances | 3,698 | 15,558 | - | 19,256 |
| Total liabilities and fund balances | $ 3,698 | $ 15,558 | $ 3,247 | $ 22,503 |

**Township of Richfield**
**Combining Statement of Revenues, Expenditures,**
**and Changes in Fund Balances**
**Non-major Governmental Funds**
**For the Year Ended June 30, 2004**

| | Special Revenue | | Debt Service | Total |
|---|---|---|---|---|
| | Lighting Fund | Retirement Health Care Fund | Debt Service Fund | Nonmajor Governmental Funds |
| **Revenues:** | | | | |
| Customer assessments: | | | | |
| Lighting fees | $ 17,183 | $ - | $ - | $ **17,183** |
| Interest | 2 | 108 | 665 | **775** |
| Total revenues | 17,185 | 108 | 665 | **17,958** |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government: | | | | |
| Salaries | - | - | 28,838 | **28,838** |
| Social Security | - | - | 2,217 | **2,217** |
| Insurance | - | - | 6,163 | **6,163** |
| Pension | - | - | 2,675 | **2,675** |
| Public service: | | | | |
| Vassar Road | 499 | - | - | **499** |
| Crandon Drive | 422 | - | - | **422** |
| Davison Hills | 106 | - | - | **106** |
| Oak Brook Estates | 2,112 | - | - | **2,112** |
| Potter Road | 106 | - | - | **106** |
| Irish Road | 1,056 | - | - | **1,056** |
| Hunt Farms | 1,162 | - | - | **1,162** |
| Hunt Farms III | 1,373 | - | - | **1,373** |
| Auto Auction | 106 | - | - | **106** |
| Gale Road | 634 | - | - | **634** |
| Victoria Station | 422 | - | - | **422** |
| Victoria Station II | 1,795 | - | - | **1,795** |
| Winter Hue Lane | 106 | - | - | **106** |
| Four Seasons II | 686 | - | - | **686** |
| Four Seasons III | 1,214 | - | - | **1,214** |
| Tiger Run Trail | 1,056 | - | - | **1,056** |
| Sandy Hollow | 632 | - | - | **632** |
| Debt service: | | | | |
| Principal retirement | - | - | 13,680 | **13,680** |
| Interest and charges | - | - | 50 | **50** |
| Total expenditures | 13,487 | - | 53,623 | **67,110** |
| Excess (deficiency) of revenues over expenditures | 3,698 | 108 | (52,958) | **(49,152)** |
| **Other financing sources:** | | | | |
| Operating transfers in | - | 5,100 | 1,777 | **6,877** |
| Total other financing sources | - | 5,100 | 1,777 | **6,877** |
| Net change in fund balances | 3,698 | 5,208 | (51,181) | **(42,275)** |
| Fund balance - beginning | - | 10,350 | 51,181 | **61,531** |
| **Fund balance - ending** | $ 3,698 | $ 15,558 | $ - 0 - | $ **19,256** |

BKR DUPUIS & RYDEN
Financial Services

*A Professional Corporation*
*An Independent Member of BKR International*
*With Offices Throughout the World*

August 25, 2004

Members of the Township Board
Township of Richfield
Genesee County, Michigan

We have audited the financial statements of Township of Richfield (the Township) for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. 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 general purpose 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.

**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 Township of Richfield are described in Note 1 to the general purpose financial statements. GASB 34 was implemented for the year ended June 30, 2004 requiring new financial statements and footnote formats. We noted no transactions entered into by Township of Richfield 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.

**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. These adjustments may include those proposed by us but not recorded by the Township of Richfield that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted adjustments to payables.

**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

**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 principle 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 each year prior to retention as the Township of Richfield's auditors. However, 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.

As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

**Prior Year's Comments**

**Post-retirement Health Care Fund**

During fiscal 2002, a new fund was created to be used for post retirement health care cost. This fund is a special revenue fund. During fiscal year end 2003, we noted that per Budget Act 621, all special revenue funds should be budgeted for. During 2004, this fund incurred no costs so it was not necessary to adopt a budget for the fund. Once the Township Board decides to make appropriations from this fund, a budget will be required.

**Receipting System**

Also during the prior year's audit, we commented that the accountant covered the front counter at times. We noted that the accountant's role is an important check and balance in the cash receipting system and the amount of time spent covering the front counter should be kept to a minimum. We observed that this situation continues due to limited staff and the need for the accountant to cover during breaks and lunch.

**Current Year Comments**

**Bank Statements**

To strengthen internal controls, we recommend the Treasurer receive the unopened bank statements and review the statement and the cancelled checks monthly prior to them going to the accountant.

**Police Forfeiture and Seizure Procedures**

During review of the internal controls it was noted that there are established procedures in the police department for forfeitures and seizures, but they are not in writing. We recommend the procedures be documented and maintained in a written document.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Township's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,

Peggy Haw Jury

Peggy Haw Jury, CPA
Principal

Flint Office