TOWNSHIP OF RANSOM
Hillsdale County, Michigan
30-1120

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

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

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Ransom	Hillsdale

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	July 28, 2004	July 28, 2004

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

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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 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 they year).

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

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

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

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

TABLE OF CONTENTS

	Exhibit	Page
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	C	5-6
Combined Statement of Revenues, Expenses and Changes in Fund Balance – All Proprietary Fund Types and Similar Trust Funds	D	7
Combined Statement of Cash Flows – All Proprietary Fund Types and Similar Trust Funds	E	8
Notes to Financial Statements		9-14
Supplementary Information:		
General Fund Expenditures by Detailed Account	F	15-16
Combining Balance Sheet – All Fiduciary Funds	G	17
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	H	18

CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 28, 2004

To the Township Board
Township of Ransom
Hillsdale County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ransom, Hillsdale County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Ransom's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

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

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	Governmental Fund Type	Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Trust and Agency	General Fixed Assets	
Assets				
Cash in bank	44 476 97	19 125 27	-	63 602 24
Taxes receivable	1 844 16	-	-	1 844 16
Due from other funds	537 80	-	-	537 80
Land and buildings	-	-	76 760 52	76 760 52
Equipment	-	-	9 369 00	9 369 00
Total Assets	46 858 93	19 125 27	86 129 52	152 113 72
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	537 80	-	537 80
Due to others	-	492 05	-	492 05
Total liabilities	-	1 029 85	-	1 029 85
Fund equity:				
Investment in general fixed assets	-	-	86 129 52	86 129 52
Fund balances:				
Reserved for cemetery	-	18 095 42	-	18 095 42
Unreserved:				
Undesignated	46 858 93	-	-	46 858 93
Total fund equity	46 858 93	18 095 42	86 129 52	151 083 87
Total Liabilities and Fund Equity	46 858 93	19 125 27	86 129 52	152 113 72

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 1

	Governmental Fund Type
	General
Revenues:	
Property taxes	15 347 73
State revenue sharing	69 399 00
Charges for services:	
Property tax administration	5 725 46
Transfer station	19 400 55
Interest	171 42
Miscellaneous	697 82
Total revenues	110 741 98
Expenditures:	
Legislative:	
Township Board	2 265 00
General government:	
Supervisor	2 987 94
Elections	327 75
Assessor	7 107 74
Clerk	5 209 96
Board of Review	675 00
Treasurer	6 871 20
Building and grounds	1 611 48
Cemetery	8 907 70
Unallocated	725 67
Public safety:	
Fire protection	8 000 00
Public works:	
Drains	2 258 26
Highways and streets	35 614 66
Street lighting	540 98
Sanitation	28 642 57
Culture:	
Library	1 100 00
Other:	
Insurance	7 441 00
Payroll taxes	1 323 41

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 2

	Governmental Fund Type
	General
Total expenditures	121 610 32
Excess (deficiency) of revenues over expenditures	(10 868 34)
Fund balance, April 1	57 727 27
Fund Balance, March 31	46 858 93

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C
Page 1

Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	15 450 00	15 347 73	(102 27)
State revenue sharing	65 950 00	69 399 00	3 449 00
Charges for services:			
Property tax administration	3 800 00	5 725 46	1 925 46
Transfer station	18 500 00	19 400 55	900 55
Interest	150 00	171 42	21 42
Miscellaneous	-	697 82	697 82
Total revenues	103 850 00	110 741 98	6 891 98
Expenditures:			
Legislative:			
Township Board	4 640 00	2 265 00	(2 375 00)
General government:			
Supervisor	3 030 00	2 987 94	(42 06)
Elections	1 135 00	327 75	(807 25)
Assessor	7 275 00	7 107 74	(167 26)
Clerk	5 410 00	5 209 96	(200 04)
Board of Review	1 000 00	675 00	(325 00)
Treasurer	7 055 00	6 871 20	(183 80)
Building and grounds	2 800 00	1 611 48	(1 188 52)
Cemetery	12 400 00	8 907 70	(3 492 30)
Unallocated	1 325 00	725 67	(599 33)
Public safety:			
Fire protection	9 000 00	8 000 00	(1 000 00)
Public works:			
Drains	2 400 00	2 258 26	(141 74)
Highways and streets	37 150 00	35 614 66	(1 535 34)
Street lighting	550 00	540 98	(9 02)
Sanitation	28 850 00	28 642 57	(207 43)
Culture:			
Library	1 100 00	1 100 00	-
Other:			
Insurance	8 000 00	7 441 00	(559 00)
Payroll taxes	1 350 00	1 323 41	(26 59)

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C
Page 2

Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Total expenditures	134 470 00	121 610 32	(12 859 68)
Excess (deficiency) of revenues over expenditures	(30 620 00)	(10 868 34)	19 751 66
Fund balance, April 1	44 476 97	57 727 27	13 250 30
Fund Balance, March 31	13 856 97	46 858 93	33 001 96

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS EXHIBIT D

Year Ended March 31, 2004

	Trust Cemetery Perpetual Care
Operating revenues:	
Charges for services	1 650 00
Operating expenses:	
Cemetery operation	1 569 79
Capital outlay	9 150 48
Total operating expenses	10 720 27
Operating income (loss)	(9 070 27)
Other income:	
Interest income	392 48
Net income (loss)	(8 677 79)
Fund balance, April 1	26 773 21
Fund Balance, March 31	18 095 42

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL
PROPRIETARY FUND TYPES AND SIMILARY TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT E

	Trust Cemetery Perpetual Care
Cash flows from operating activities:	
Cash received from customers	1 650 00
Cash payments to suppliers for goods and services	(1 569 79)
Cash payments for capital outlay	(9 150 48)
Net cash provided (used) for operating activities	(9 070 27)
Cash flows from investing activities:	
Interest income	392 48
Net cash provided (used) for investing activities	392 48
Net increase (decrease) in cash and cash equivalents	(8 677 79)
Cash and cash equivalents, April 1	26 773 21
Cash and Cash Equivalents, March 31	18 095 42
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(9 070 22)
Net Cash Provided (Used) for Operating Activities	(9 070 22)

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

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ransom, Hillsdale County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ransom. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Funds

These funds, used to account for assets held in trust or as an agent for others, include the Current Tax Collection and Cemetery Trust Funds.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was .8137 mills and the taxable value was $18,897,844.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	63 602 24

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	64 577 73
Uninsured and Uncollateralized	-
Total Deposits	64 577 73

The Township of Ransom did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land and buildings	67 610 04	9 150 48	-	76 760 52
Equipment	9 369 00	-	-	9 369 00
Totals	76 979 04	9 150 48	-	86 129 52

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	537 80	Current Tax Collection	537 80

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Ransom does not issue building permits. Building permits are issued by the County of Hillsdale.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Township Board:	
Fees and per diem	2 025 00
Miscellaneous	240 00
	2 265 00
Supervisor:	
Salary	2 475 00
Miscellaneous	512 94
	2 987 94
Elections:	
Salary	245 00
Miscellaneous	82 75
	327 75
Assessor:	
Salary	4 899 93
Supplies	1 726 35
Miscellaneous	481 46
	7 107 74
Clerk:	
Salary	4 500 00
Miscellaneous	709 96
	5 209 96
Board of Review	675 00
Treasurer:	
Salary	5 575 00
Supplies	604 20
Miscellaneous	692 00
	6 871 20
Building and grounds:	
Utilities	1 301 48
Repairs and maintenance	310 00
	1 611 48
Cemetery	8 907 70
Unallocated:	
Memberships and dues	425 67
Miscellaneous	300 00
	725 67
Fire protection	8 000 00
Drains	2 258 26

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Highways and streets:	
Repairs and maintenance	35 614 66
Street lighting	540 98
Sanitation	28 642 57
Library	1 100 00
Insurance	7 441 00
Payroll taxes	1 323 41
Total Expenditures	121 610 32

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUNDS
March 31, 2004

EXHIBIT G

	Agency	Trust		
	Current Tax Collection	Cemetery Care	Cemetery Building and Site	Total
Assets				
Cash in bank	1 029 85	15 417 46	2 677 96	19 125 27
Total Assets	1 029 85	15 417 46	2 677 96	19 125 27
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	537 80	-	-	537 80
Due to others	492 05	-	-	492 05
Total liabilities	1 029 85	-	-	1 029 85
Fund balances:				
Reserved for cemetery	-	15 417 46	2 677 96	18 095 42
Total fund balances	-	15 417 46	2 677 96	18 095 42
Total Liabilities and Fund Balances	1 029 85	15 417 46	2 677 96	19 125 27

TOWNSHIP OF RANSOM
Hillsdale County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT H

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in Bank	395 84	389 372 72	388 738 71	1 029 85
Liabilities				
Due to other funds	395 84	17 855 99	17 714 03	537 80
Due to other taxing units	-	371 516 73	371 024 68	492 05
Total Liabilities	395 84	389 372 72	388 738 71	1 029 85

CAMPBELL, KUSTERER & CO., P.C.

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RECEIVED
DEPT OF TREASURY
AUG 31 2004
LOCAL AUDIT & FINANCE DIV.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 28, 2004

To the Township Board
Township of Ransom
Hillsdale County, Michigan

We have audited the financial statements of the Township of Ransom, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ransom in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Ransom
Hillsdale County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Ransom
Hillsdale County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Ransom will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants