Lincoln Township

~~Kinde, MI~~
(HURON)

Financial Report
March 31, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Township of Lincoln	Huron

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	6/24/04	7/15/04

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)			
George A Zahul CPA PC			
Street Address	City	State	ZIP
101 North Port Crescent	Bad Axe	MI	48413
Accountant Signature		Date	
George A Zahul		7-12-04	

Lincoln Township

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George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Independent Auditor's Report

To the Village Council
Lincoln Township
Kinde, MI 48445

I have audited the accompanying general purpose financial statements of the Lincoln Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Lincoln Township. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Township as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 24, 2004, on my consideration of the Lincoln Township's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the general purpose financial statements of the Lincoln Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

George Zahul

George Zahul, CPA, PC
June 24, 2004

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Village Council
Lincoln Township
Kinde, MI 48445

I have audited the general purpose financial statements of the Lincoln Township as of and for the year ended March 31, 2004, and have issued my report thereon dated June 24, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contanied in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lincoln Township's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Lincoln Township, in a separate letter dated June 24, 2004.

Internal Control Over Financial Reporting

In planning and perfoming my audit, I considered the Lincoln Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

George A Zahul

George Zahul, CPA, PC
June 24, 2004

Lincoln Township
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2004

	Governmental Fund Types		Fiduciary Fund Type	Account Group	Total
	General	Special Revenue	Agency Fund	General Fixed Assets	(Memorandum Only)
Assets					
Cash and Investments	$ 37,973.57	$ 0.00	$ 1,506.18	$ 0.00	$ 39,479.75
Taxes Receivable	3,143.24	10,366.16	0.00	0.00	13,509.40
Due from Other Funds	1,506.18	0.00	0.00	0.00	1,506.18
Land, Building, and Equipment	0.00	0.00	0.00	29,492.00	29,492.00
Total Assets	$ 42,622.99	$ 10,366.16	$ 1,506.18	$ 29,492.00	$ 83,987.33
Liabilities and Fund Equity					
Liabilities					
Payroll Taxes Payable	399.20	0.00	0.00	0.00	399.20
Due to Other Funds	0.00	0.00	1,506.18	0.00	1,506.18
Total Liabilities	399.20	0.00	1,506.18	0.00	1,905.38
Fund Equity					
Investments in Fixed Assets	0.00	0.00	0.00	29,492.00	29,492.00
Unreserved	42,223.79	10,366.16	0.00	0.00	52,589.95
Total Fund Equity	42,223.79	10,366.16	0.00	29,492.00	82,081.95
Total Liabilities and Fund Equity	$ 42,622.99	$ 10,366.16	$ 1,506.18	$ 29,492.00	$ 83,987.33

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

Lincoln Township
Combined Statement of Revenue, Expenditures and Change in Fund Balance - All Governmental Fund Types
For the Year Ended March 31, 2004

	Governmental Fund Types		
	General	Special Revenue	Total Memorandum Only
Revenues			
Property Taxes	$ 39,277.14	$ 129,590.17	$ 168,867.31
Licenses and Permits	0.00	550.00	550.00
State Revenue Sharing	0.00	50,907.00	50,907.00
Interest	1,108.41	0.00	1,108.41
Miscellaneous	2,156.80	0.00	2,156.80
Total Revenues	42,542.35	181,047.17	223,589.52
Expenditures			
General Government	32,165.82	0.00	32,165.82
Public Safety	0.00	27,467.53	27,467.53
Public Works	26,685.55	163,260.70	189,946.25
Other	16,095.40	500.05	16,595.45
Total Expenditures	74,946.77	191,228.28	266,175.05
Excess of Revenues over Expenditures	(32,404.42)	(10,181.11)	(42,585.53)
Other Financing Sources (Uses)			
Operating Transfers in	0.00	20,597.22	20,597.22
Operating Transfers out	(20,547.27)	(49.95)	(20,597.22)
Total Other Financing Sources (Uses)	(20,547.27)	20,547.27	0.00
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	(52,951.69)	10,366.16	(42,585.53)
Fund Balance at Beginning of Year	95,175.48	0.00	95,175.48
Fund Balance at End of Year	$ 42,223.79	$ 10,366.16	$ 52,589.95

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

Lincoln Township
Combined Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual
General Fund and Special Revenue Fund Types
For the Year Ended March 31, 2004

	General Fund			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property Taxes	$ 39,000.00	$ 39,277.14	$ 277.14	121,000.00	129,590.17	8,590.17
Licenses and Permits	0.00	0.00	0.00	500.00	550.00	50.00
Sales Tax	0.00	0.00	0.00	53,000.00	50,907.00	(2,093.00)
Interest	2,000.00	1,108.41	(891.59)	0.00	0.00	0.00
Miscellaneous	0.00	2,156.80	2,156.80	0.00	0.00	0.00
Total Revenues	41,000.00	42,542.35	1,542.35	174,500.00	181,047.17	6,547.17
Expenditures						
General Government	33,150.00	32,165.82	984.18	0.00	0.00	0.00
Public Safety	0.00	0.00	0.00	31,725.00	27,467.53	4,257.47
Public Works	32,000.00	26,685.55	5,314.45	178,500.00	163,260.70	15,239.30
Other	17,263.00	16,095.40	1,167.60	500.00	500.05	(0.05)
Total Expenditures	82,413.00	74,946.77	7,466.23	210,725.00	191,228.28	19,496.72
Excess of Revenues over Expenditures	(41,413.00)	(32,404.42)	9,008.58	(36,225.00)	(10,181.11)	26,043.89
Other Financing Sources (Uses)						
Operating Transfers in	0.00	0.00	0.00	20,597.22	20,597.22	0.00
Operating Transfers out	(20,547.27)	(20,547.27)	0.00	(49.95)	(49.95)	0.00
Total Other Financing Sources (Uses)	(20,547.27)	(20,547.27)	0.00	20,547.27	20,547.27	0.00
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	$(61,960.27)	(52,951.69)	$ 9,008.58	$(15,677.73)	10,366.16	$ 26,043.89
Fund Balance at Beginning of Year		95,175.48			0.00	
Fund Balance at End of Year		$ 42,223.79			$ 10,366.16	

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

Lincoln Township
Notes to the Financial Statements
March 31, 2004

Note 1-Summary of Significant Accounting Policies:

A. Description of Township Operations

The Township is located in Huron County, Michigan and operates under an elected Council. The Township provides services to the residents as authorized by its charter, which include public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning, and general administration services.

B. Reporting Entity

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The Township is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Township.

C. Basis of Presentation

The accounts of the Township's are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and account groups are used by the Township:

Governmental Fund Types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

Fiduciary Fund Type:

Nonexpendable Trust Fund - The Trust Fund was established to account for assets received and held by the government in the capacity of trustee for individuals, other governments and/or other funds for which a portion of the fund must be held intact.

Account Group:

General Fixed Assets Account Group - This account group is used to account for fixed assets purchased by and used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

D. Basis of Accounting

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

All propriety funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures/expenses. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Property Taxes

Properties are assessed as of June 30 and December 31, and the related property taxes become a lien on June 1 and December 1 of the following year. These taxes are due on September 14 and March 15. After this date, they are added to the County tax rolls.

Property taxes levied are collected and deposited in the designated Fund. The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Township as collection occurs.

The tax rates assessed for the year ended, March 31, 2004, to finance the general fund operations were based on the taxable value of $25,063,516. The following rates were levied based on the taxable value:

Fund	Mills
General	1.2325
Roads	3.9796
Fire	.9866

G. Budgets

Budgets and amended budgets as presented for the Governmental Fund Types are adopted on a basis consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Township does not utilize encumbrance accounting.

H. "Totals - (Memorandum Only)"

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund type and account group. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Note 2 - Budgets:

In the combined financial statements, the Township's actual expenditures and budgeted expenditures, as amended, for budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the fund level. P.A. 621 of 1978, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the township incurred the expenditures in certain budgetary funds which were in excess of the amounts appropriated, as presented in the financial statements.

Note 3 - Cash And Investments:

Deposits - The Township's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Township's deposits was $23,895 and the bank balance was $25,092.

Investments - State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2004, the Township investments consisted of certificates of deposit of which the carrying amount and the bank balance was $15,585.

The Township cash and investments amounted to $39,480 as of March 31, 2004 and all was covered by Federal depository Insurance.

Note 4 - Employee Benefits

The township does not offer any benefits to its employees.

Note 5 - Contingent Liabilities

The township has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to township employees by the Michigan unemployment fund must be reimbursed by the township on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the township becomes liable to the State of Michigan for unemployment benefits paid.

Note 6 - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement established new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year beginning after June 15, 2003. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

Supplemental Financial Information

Lincoln Township
General Fund
Schedule of Revenues
For the Year Ended March 31, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Current Tax Levy	$ 39,277.14	$ 39,000.00	$ 277.14
Miscellaneous	2,156.80	0.00	2,156.80
Interest Income	1,108.41	2,000.00	(891.59)
Total Revenues	$ 42,542.35	$ 41,000.00	1,542.35

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

Lincoln Township
General Fund
Schedule of Expenditures
For the Year Ended March 31, 2004

	Actual	Budget	Favorable (Unfavorable)
General Government			
Trustees Salary	$ 2,210.00	$ 2,300.00	$ 90.00
Board of Review	472.50	500.00	27.50
Supervisors Salary	5,250.00	5,250.00	0.00
Election Salary	270.20	500.00	229.80
Clerk Salary	6,300.00	6,300.00	0.00
Treasurer Salary	8,086.36	8,300.00	213.64
Deputy Treasurer Salary	300.00	300.00	0.00
Deputy Clerk Salary	300.00	300.00	0.00
Assessor Salary	6,000.00	6,000.00	0.00
Township Representive	675.00	900.00	225.00
Taxes - Social Security	2,301.76	2,500.00	198.24
Total General Government	$ 32,165.82	$ 33,150.00	984.18
Public Works			
Drains at Large	$ 26,685.55	$ 32,000.00	$ 5,314.45
Total Public Works	$ 26,685.55	$ 32,000.00	5,314.45
Other			
Office Supplies	$ 827.94	$ 850.00	$ 22.06
Printing and Publishing	584.80	800.00	215.20
Dues, Subscriptions and Certifications	539.17	600.00	60.83
Computer Software	4,021.50	4,100.00	78.50
Insurance	4,551.00	4,600.00	49.00
Hall Expense	299.98	500.00	200.02
Miscellaneous	3,383.41	3,713.00	329.59
Utilities	690.60	800.00	109.40
Library	1,197.00	1,300.00	103.00
Total Other	$ 16,095.40	$ 17,263.00	1,167.60
Capital Outlay			
Capital Outlay	$ 0.00	$ 0.00	$ 0.00
Total Expenditures	$ 74,946.77	$ 82,413.00	$ 7,466.23

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

Lincoln Township
Special Revenue Funds
Combined Balance Sheet
March 31, 2004

	Special Highway	Fire Fighting	Liquor Law Enforcement	Totals
Assets				
Current Assets				
Receivables - Taxes	8,307.08	2,059.08	0.00	10,366.16
Total Current Assets	8,307.08	2,059.08	0.00	10,366.16
PROPERTY AND EQUIPMENT				
Total Assets	$ 8,307.08	$ 2,059.08	$ 0.00	$ 10,366.16
Liabilities and Fund Equity				
Fund Equity				
Unreserved	8,307.08	2,059.08	0.00	10,366.16
Total Liabilities and Fund Equity	$ 8,307.08	$ 2,059.08	$ 0.00	$ 10,366.16

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

Lincoln Township
Special Revenue Funds
Schedule of Revenues
For the Year Ended March 31, 2004

Fire Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Current Tax Levy	$ 25,000.00	$ 25,742.53	$ 742.53
Transfers In	3,784.08	3,784.08	0.00
Total Revenues	$ 28,784.08	$ 29,526.61	$ 742.53

Road Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Current Tax Levy	$ 96,000.00	$ 103,847.64	$ 7,847.64
Sales Tax	53,000.00	50,907.00	(2,093.00)
Transfers In	16,813.14	16,813.14	0.00
Total Revenues	$ 165,813.14	$ 171,567.78	$ 5,754.64

Liquor Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Liquor License Fees	$ 500.00	$ 550.00	$ (50.00)
Total Revenues	$ 500.00	$ 550.00	$ (50.00)

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

Lincoln Township
Special Revenue Funds
Schedule of Expenditures
For the Year Ended March 31, 2004

Fire Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Fire Protection Expenses	$ 30,000.00	$ 25,742.53	$ 4,257.47
Ambulance Service	1,725.00	1,725.00	0.00
Total Expenditures	$ 31,725.00	$ 27,467.53	$ 4,257.47

Road Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Highways and Streets Expenses	$ 170,000.00	$ 155,549.80	$ 14,450.20
Dust Control	8,500.00	7,710.90	789.10
Total Expenditures	$ 178,500.00	$ 163,260.70	$ 15,239.30

Liquor Fund

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Liquor Inspection Wages	$ 500.00	$ 500.05	$ (0.05)
Transfers Out	0.00	49.95	(49.95)
Total Expenditures	$ 500.00	$ 550.00	$ (50.00)

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

Lincoln Township
Statement of General Fixed Assets
March 31, 2004

	Balance March 31, 2003	Additions	Deductions	Balance March 31, 2004
General Fixed Assets				
Land	$ 2,500.00	$ 0.00	$ 0.00	$ 2,500.00
Buildings and Improvements	16,675.00	0.00	0.00	16,675.00
Fire Equipment and Tools	10,317.00	0.00	0.00	10,317.00
Total General Fixed Assets	$ 29,492.00	$ 0.00	$ 0.00	$ 29,492.00

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

Lincoln Township
Agency Fund
Statement of Changes in Assets and Liabilities
March 31, 2004

Tax Collection Fund

	Balance Beginning of Year	Additons	Deductions	Balance End of Year
Assets				
Cash	$ 1,506.18	$ 688,249.28	$ 688,249.28	$ 1,506.18
Liabilities				
Due to General Fund	1,506.18	36,133.90	36,133.90	1,506.18
Due to Fire Fund	0.00	23,683.45	23,683.45	0.00
Due to Road Fund	0.00	95,540.56	95,540.56	0.00
Due to County	0.00	193,082.60	193,082.60	0.00
Due to Schools	0.00	339,808.77	339,808.77	0.00
	$ 1,506.18	$ 688,249.28	$ 688,249.28	$ 1,506.18

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

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413

July 7, 2004

To the Township Board
Lincoln Township
Kinde, MI 48445

The following comments related to situations that came to my attention during the course of my recent examination of the Lincoln Township's financial statements as of and for the year ended March 31, 2004, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

1. The Township over-expended in the General Fund in comparision to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.

2. Expenditures regarding road and fire expenses should be disbursed from the fund it is associated with.

3. Please contact our office in the near future, regarding the implementation procedures of the changes required by GASB 34, which will affect the way you account for transactions.

If you would need assistance in implementing the above, I would by happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Township Officials for their help and assistance during the audit.

Very truly yours,

George A. Zahul

George A. Zahul, PC
Certified Public Accountant