ELK TOWNSHIP, LAKE COUNTY

IRONS, MICHIGAN

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	Elk Township	Lake

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	9/29/04	11/30/04

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.

RECEIVED
DEPT. OF THE TREASURY
FEB 10 2005
LOCAL AUDIT & FINANCE DIV.

We affirm that:

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

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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

Certified Public Accountant (Firm Name)			
Baird, Cotter & Bishop, P.C.			
Street Address	City	State	ZIP
134 W. Harris Street	Cadillac	MI	49601
Accountant Signature		Date	

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	EXHIBIT	PAGES
Independent Auditors' Report		1
GENERAL-PURPOSE FINANCIAL STATEMENTS		
Combined Statement of Assets and Liabilities Arising from Cash Transactions - All Fund Types and Account Group	A	2-3
Combined Statement of Cash Receipts, Disbursements and Changes in Balance - All Governmental Fund Types	B	4-5
Combined Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual - All Governmental Fund Types	C	6-7
Notes to Financial Statements		8-14
FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS	STATEMENT	
General Fund		
Statement of Assets and Liabilities Arising from Cash Transactions	1	15
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual	2	16-17
Analysis of Cash Receipts	3	18
Analysis of Cash Disbursements	4	19-21
Special Revenue Funds		
Combining Statement of Assets and Liabilities Arising from Cash Transactions	5	22
Combining Statement of Cash Receipts, Disbursements and Changes in Balance	6	23
Fire Fund		
Statement of Assets and Liabilities Arising from Cash Transactions	7	24
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual	8	25
Municipal Street Fund		
Statement of Assets and Liabilities Arising from Cash Transactions	9	26
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual	10	27

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS	STATEMENT	PAGES
Special Revenue Funds - Continued		
Cemetery Fund		
Statement of Assets and Liabilities Arising from Cash Transactions	11	28
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual	12	29
Agency Fund		
Current Tax Collection Fund		
Statement of Assets and Liabilities Arising from Cash Transactions	13	30
Statement of Cash Receipts, Disbursements and Changes in Balance	14	31
General Fixed Assets Group of Accounts		
Statement of Changes in General Fixed Assets	15	32
OTHER INFORMATION		
Statement of 2003 Winter Tax Roll	16	33
Statement of 2003 Summer Tax Roll	17	34
Letter of Comments and Recommendations		35-36
Letter of Reportable Conditions		37-38

ooOoo

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER., C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Elk Township
Lake County
Irons, Michigan

We have audited the accompanying general-purpose financial statements of Elk Township, Lake County, Irons, Michigan, 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 Township. 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 of America. 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.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Elk Township, Lake County, Irons, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter + Bishop, P.C.

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

	GOVERNMENTAL FUND TYPES	
	GENERAL	SPECIAL REVENUE
ASSETS		
Cash		
Commercial Account	$ 7,390	$ 13,055
Savings and Money Market Accounts	152,697	72,436
Certificates of Deposit	43,567	0
Taxes Receivable	3,636	10,878
Land	0	0
Land Improvements	0	0
Buildings	0	0
Machinery and Equipment	0	0
Furniture and Fixtures	0	0
TOTAL ASSETS	$ 207,290	$ 96,369
LIABILITIES, BALANCE AND OTHER CREDITS		
LIABILITIES		
Payroll Withholding Payable	$ 529	$ 0
Deferred Revenue	3,636	10,878
Total Liabilities	$ 4,165	$ 10,878
BALANCE AND OTHER CREDITS		
Investment in General Fixed Assets	$ 0	$ 0
Balance		
Reserved for:		
Cemetery	0	13,055
Road Improvements	0	72,436
Unreserved	203,125	0
Total Balance and Other Credits	$ 203,125	$ 85,491
TOTAL LIABILITIES, BALANCE AND OTHER CREDITS	$ 207,290	$ 96,369

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

EXHIBIT A

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP GENERAL FIXED ASSETS	TOTALS (MEMORANDUM ONLY)
$ 1,866	$ 0	$ 22,311
0	0	225,133
0	0	43,567
0	0	14,514
0	9,840	9,840
0	3,200	3,200
0	27,178	27,178
0	11,279	11,279
0	17,103	17,103
$ 1,866	$ 68,600	$ 374,125
$ 0	$ 0	$ 529
0	0	14,514
$ 0	$ 0	$ 15,043
$ 0	$ 68,600	$ 68,600
0	0	13,055
0	0	72,436
1,866	0	204,991
$ 1,866	$ 68,600	$ 359,082
$ 1,866	$ 68,600	$ 374,125

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

EXHIBIT B

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
RECEIPTS			
Taxes	$ 31,488	$ 101,511	$ 132,999
Licenses and Permits	1,680	0	1,680
State Grants	60,844	780	61,624
Contributions From Local Units	0	500	500
Charges for Services	4,855	450	5,305
Interest and Rents	3,495	235	3,730
Other Receipts	90	0	90
Total Receipts	$ 102,452	$ 103,476	$ 205,928
DISBURSEMENTS			
Legislative			
Township Board	$ 10,023	$ 0	$ 10,023
General Government			
Supervisor	9,427	0	9,427
Elections	903	0	903
Assessor	26,172	0	26,172
Clerk	7,760	0	7,760
Board of Review	1,054	0	1,054
Treasurer	17,449	0	17,449
Building and Grounds	7,805	0	7,805
Cemetery	0	1,505	1,505
Public Safety	0	80,108	80,108
Public Works	2,945	16,000	18,945
Other Functions	6,749	0	6,749
Total Disbursements	$ 90,287	$ 97,613	$ 187,900
Excess of Receipts Over (Under) Disbursements	$ 12,165	$ 5,863	$ 18,028

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

EXHIBIT B

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	$ 0	$ 500	$ 500
Operating Transfers Out	(500)	0	(500)
Total Other Financing Sources (Uses)	$ (500)	$ 500	$ 0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	$ 11,665	$ 6,363	$ 18,028
BALANCE - April 1, 2003	191,460	79,128	270,588
BALANCE - March 31, 2004	$ 203,125	$ 85,491	$ 288,616

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

EXHIBIT C

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS						
Taxes	$ 43,129	$ 31,488	$ (11,641)	$ 80,108	$ 101,511	$ 21,403
Licenses and Permits	1,000	1,680	680	0	0	0
State Grants	63,755	60,844	(2,911)	0	780	780
Contributions from Local Units	0	0	0	0	500	500
Charges for Services	6,500	4,855	(1,645)	1,500	450	(1,050)
Interest and Rents	5,100	3,495	(1,605)	0	235	235
Other Receipts	3,000	90	(2,910)	30	0	(30)
Total Receipts	$ 122,484	$ 102,452	$ (20,032)	$ 81,638	$ 103,476	$ 21,838
DISBURSEMENTS						
Legislative						
Township Board	$ 32,000	$ 10,023	$ 21,977	$ 0	$ 0	$ 0
General Government						
Supervisor	11,300	9,427	1,873	0	0	0
Elections	5,300	903	4,397	0	0	0
Assessor	27,000	26,172	828	0	0	0
Clerk	10,975	7,760	3,215	0	0	0
Board of Review	3,000	1,054	1,946	0	0	0
Treasurer	18,650	17,449	1,201	0	0	0
Building and Grounds	25,000	7,805	17,195	0	0	0
Cemetery	0	0	0	3,250	1,505	1,745
Public Safety	0	0	0	41,410	80,108	(38,698)
Public Works	15,000	2,945	12,055	38,698	16,000	22,698
Other Functions	7,650	6,749	901	0	0	0
Contingency	5,000	0	5,000	0	0	0
Total Disbursements	$ 160,875	$ 90,287	$ 70,588	$ 83,358	$ 97,613	$ (14,255)

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

EXHIBIT C

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
Excess of Receipts Over (Under) Disbursemen	$ (38,391)	$ 12,165	$ 50,556	$ (1,720)	$ 5,863	$ 7,583
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	$ 0	$ 0	$ 0	$ 500	$ 500	$ 0
Operating Transfers Out	(500)	(500)	0	0	0	0
Total Other Financing Sources (Uses)	$ (500)	$ (500)	$ 0	$ 500	$ 500	$ 0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	$ (38,891)	$ 11,665	$ 50,556	$ (1,220)	$ 6,363	$ 7,583
BALANCE - April 1, 2003	241,123	191,460	(49,663)	79,128	79,128	0
BALANCE - March 31, 2004	$ 202,232	$ 203,125	$ 893	$ 77,908	$ 85,491	$ 7,583

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

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Elk Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the Township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

The investment policy adopted by the Township states that the Township is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

Certificates of deposit and savings accounts of a bank which is member of the Federal Deposit Insurance Corporation and which are also eligible to be a depository of surplus funds belonging to the state under section 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.146 of the Michigan Compiled Laws.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received. The only other liability recognized is for unremitted payroll tax withholdings.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

5. Use of Estimates

This presentation of financial statements requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

6. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 29, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Excess of Expenditures Over Appropriations

For the year ended March 31, 2004, Fire Fund expenditures of $80,108 exceeded appropriations of $41,410. These overexpenditures were funded by receipts received in excess of budgeted receipts.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's regular deposits was $291,011, and the bank balance was $302,061. Of the bank balance, $132,567 was covered by federal depository insurance. The remaining $169,494 are in accounts which exceed the federal depository insurance limit of $100,000 and also are uncollateralized.

The carrying amount of the Township's deposits and investments at year-end are shown below:

	GENERAL FUND	MUNICIPAL STREET FUND	CEMETERY FUND	CURRENT TAX COLLECTION FUND	TOTAL
Lake Osceola State Bank					
Baldwin, Michigan					
Commercial Account	$ 7,390	$ 0	$ 13,055	$ 1,866	$ 22,311
Savings Account	0	72,436	0	0	72,436
Money Market Accounts	152,697	0	0	0	152,697
Certificates of Deposit	11,000	0	0	0	11,000
Westshore Bank					
Scottville, Michigan					
Certificates of Deposit	32,567	0	0	0	32,567
TOTAL	$ 203,654	$ 72,436	$ 13,055	$ 1,866	$ 291,011

B. Fixed Assets

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows:

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
GENERAL FIXED ASSETS				
Land	$ 9,840	$ 0	$ 0	$ 9,840
Land Improvements	3,200	0	0	3,200
Buildings	27,178	0	0	27,178
Machinery and Equipment	11,279	0	0	11,279
Furniture and Fixtures	17,103	0	0	17,103
TOTAL	$ 68,600	$ 0	$ 0	$ 68,600

C. Fire Fund

These financial statements show the transactions of the Township Fire Fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the Fire Fund before being sent to the Sauble-Elk-Eden Fire Department. The payments are being sent to the Sauble-Elk-Eden Fire Department directly from the Current Tax Collection Fund and from the General Fund, due to the substantial savings of time and bookkeeping procedures.

IV. OTHER INFORMATION

A. Property Taxes

The Township levied .7516 mills for general operating purposes on a taxable value of $44,669,061. In addition, the Township levied 1.8014 mills for fire protection and .4474 mills for road improvements.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. Taxes are due and payable to the township treasurer on or before February 28. After February 28, the property taxes are payable to the Lake County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied. The Township's portion of delinquent property taxes receivable is recognized as an asset. The taxes receivable are also recorded as deferred revenue and the tax collections are recorded as cash receipts when collected.

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	$ 3,495	$ 0
Municipal Street Fund	235	0
	$ 3,730	$ 0

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

C. Joint Fire District

The Township is a member of the Sauble-Elk-Eden Fire Department. The Fire Department is a joint venture of Sauble, Elk and Eden Townships created to provide fire protection for the member townships. As stated in NOTE IV.A, Elk Township levies 1.8014 mills to support the Fire Department. The following financial information was taken from the Fire Department's March 31, 2003 audited financial statements:

Total Assets	$	129,230
Balance – Unreserved		129,230
Total Receipts		219,051
Total Disbursements		175,046
Other Financing Uses		20,800
Net Increase (Decrease) in Fund Balance		23,205

D. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 7.5% of compensation to the plan annually. Also, each employee contributes 7.5% of compensation to the plan annually. Past service credit is not allowed.

Township contributions to the plan for 2003-2004 amounted to $2,107 and employees contributed $2,083. In addition, the Township paid a $155 administrative fee.

Total wages for those covered under the plan was $28,900 and total wages for all employees including non-covered payroll was $32,000.

E. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or prior three years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

F. Current Tax Collection Fund Balance

The balance of $1,866 remaining in the Current Tax Collection fund at March 31, 2004, consisted of late payment penalties and interest earnings which will be transferred to the General Fund.

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Commercial Account	$ 7,390
Money Market Account	152,697
Certificates of Deposit	43,567
Taxes Receivable	3,636
TOTAL ASSETS	$ 207,290

LIABILITIES AND BALANCE

LIABILITIES	
Payroll Withholding Payable	$ 529
Deferred Revenue	3,636
Total Liabilities	$ 4,165
BALANCE	
Unreserved	203,125
TOTAL LIABILITIES AND BALANCE	$ 207,290

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes	$ 43,129	$ 31,488	$ (11,641)
Licenses and Permits	1,000	1,680	680
State Grants	63,755	60,844	(2,911)
Charges for Services	6,500	4,855	(1,645)
Interest and Rents	5,100	3,495	(1,605)
Other Receipts	3,000	90	(2,910)
Total Receipts	$ 122,484	$ 102,452	$ (20,032)
DISBURSEMENTS			
Legislative			
Township Board	$ 32,000	$ 10,023	$ 21,977
General Government			
Supervisor	11,300	9,427	1,873
Elections	5,300	903	4,397
Assessor	27,000	26,172	828
Clerk	10,975	7,760	3,215
Board of Review	3,000	1,054	1,946
Treasurer	18,650	17,449	1,201
Building and Grounds	25,000	7,805	17,195
Public Works	15,000	2,945	12,055
Other Functions	7,650	6,749	901
Contingencies	5,000	0	5,000
Total Disbursements	$ 160,875	$ 90,287	$ 70,588

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
Excess of Receipts Over (Under) Disbursements	$ (38,391)	$ 12,165	$ 50,556
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	(500)	(500)	0
Excess of Receipts Over (Under) Disbursements and Other Uses	$ (38,891)	$ 11,665	$ 50,556
BALANCE - April 1, 2003	241,123	191,460	(49,663)
BALANCE - March 31, 2004	$ 202,232	$ 203,125	$ 893

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH RECEIPTS

FOR THE YEAR ENDED MARCH 31, 2004

TAXES		
Current Property Taxes	$ 29,928	
Delinquent Property Tax and Interest	1,560	
Total Taxes		$ 31,488
LICENSES AND PERMITS		
Land Division Fees	$ 600	
Land Use Permits	1,080	
Total Licenses and Permits		1,680
STATE GRANTS		
State Revenue Sharing		
Sales and Use Tax		60,844
CHARGES FOR SERVICES		
Summer Tax Collection Fee		4,855
INTEREST AND RENTS		
Interest Earnings		3,495
OTHER RECEIPTS		
Miscellaneous		90
TOTAL RECEIPTS		$ 102,452

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE			
Township Board			
Personal Services			
Salaries and Wages		$ 2,400	
Other Services and Charges			
Miscellaneous		7,623	
Total Legislative			$ 10,023
GENERAL GOVERNMENT			
Supervisor			
Personal Services			
Salaries and Wages	$ 7,500		
Other Services and Charges			
Miscellaneous	1,927		
Total Supervisor		$ 9,427	
Elections			
Personal Services			
Salaries and Wages	$ 868		
Other Services and Charges			
Miscellaneous	35		
Total Elections		903	
Assessor			
Other Services and Charges			
Contracted Services	$ 19,300		
Miscellaneous	6,872		
Total Assessor		26,172	
Clerk			
Personal Services			
Salaries and Wages	$ 7,500		
Other Services and Charges			
Miscellaneous	260		
Total Clerk		7,760	

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Board of Review			
Personal Services			
Salaries and Wages	$ 750		
Other Services and Charges			
Miscellaneous	304		
Total Board of Review		1,054	
Treasurer			
Personal Services			
Salaries and Wages	$ 11,500		
Salaries and Wages - Deputy	1,482		
Other Services and Charges			
Miscellaneous	4,467		
Total Treasurer		17,449	
Building and Grounds			
Other Services and Charges			
Miscellaneous		7,805	
Total General Government			70,570
PUBLIC WORKS			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance		$ 2,259	
Street Lighting			
Other Services and Charges			
Public Utilities		686	
Total Public Works			2,945
OTHER FUNCTIONS			
Insurance and Bonds		$ 2,956	
Employee Benefits			
Social Security and Medicare	$ 420		
Workers' Compensation	1,111		
Pension Contribution	2,262	3,793	
Total Other Functions			6,749

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FUND
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

TOTAL DISBURSEMENTS	$ 90,287
OTHER FINANCING USES	
Operating Transfer Out - Cemetery Fund	500
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	$ 90,787

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

	FIRE FUND	MUNICIPAL STREET FUND	CEMETERY FUND	TOTAL
ASSETS				
Cash				
Commercial Accounts	$ 0	$ 0	$ 13,055	$ 13,055
Savings Accounts	0	72,436	0	72,436
Taxes Receivable	8,712	2,166	0	10,878
TOTAL ASSETS	$ 8,712	$ 74,602	$ 13,055	$ 96,369
LIABILITIES AND BALANCE				
LIABILITIES				
Deferred Revenue	$ 8,712	$ 2,166	$ 0	$ 10,878
BALANCE				
Reserved for:				
Cemetery	$ 0	$ 0	$ 13,055	$ 13,055
Road Improvements	0	72,436	0	72,436
Total Balance	$ 0	$ 72,436	$ 13,055	$ 85,491
TOTAL LIABILITIES AND BALANCE	$ 8,712	$ 74,602	$ 13,055	$ 96,369

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

	FIRE FUND	MUNICIPAL STREET FUND	CEMETERY FUND	TOTAL
RECEIPTS				
Taxes	$ 80,108	$ 21,403	$ 0	$ 101,511
State Grants	0	780	0	780
Contributions From Local Units	0	0	500	500
Charges for Services	0	0	450	450
Interest and Rents	0	235	0	235
Total Receipts	$ 80,108	$ 22,418	$ 950	$ 103,476
DISBURSEMENTS				
General Government				
Cemetery	$ 0	$ 0	$ 1,505	$ 1,505
Public Safety				
Fire Protection	80,108	0	0	80,108
Public Works				
Highways, Streets and Bridges	0	16,000	0	16,000
Total Disbursements	$ 80,108	$ 16,000	$ 1,505	$ 97,613
Excess of Receipts Over (Under) Disbursements	$ 0	$ 6,418	$ (555)	$ 5,863
OTHER FINANCING SOURCES				
Operating Transfers In				
General Fund	0	0	500	500
Excess of Receipts and Other Sources Over (Under) Disbursements	$ 0	$ 6,418	$ (55)	$ 6,363
BALANCE - April 1, 2003	0	66,018	13,110	79,128
BALANCE - March 31, 2004	$ 0	$ 72,436	$ 13,055	$ 85,491

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

FIRE FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Taxes Receivable	$ 8,712

LIABILITIES AND BALANCE

LIABILITIES	
Deferred Revenue	$ 8,712
BALANCE	0
TOTAL LIABILITIES AND BALANCE	$ 8,712

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

FIRE FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes			
Current Taxes	$ 41,410	$ 71,720	$ 30,310
Delinquent Taxes	0	8,388	8,388
Total Receipts	$ 41,410	$ 80,108	$ 38,698
DISBURSEMENTS			
Public Safety			
Aid to Other Governments			
Elk-Sauble-Eden Fire District	41,410	80,108	(38,698)
Excess of Receipts Over (Under) Disbursements	$ 0	$ 0	$ 0
BALANCE - April 1, 2003	0	0	0
BALANCE - March 31, 2004	$ 0	$ 0	$ 0

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

MUNICIPAL STREET FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Savings Account	$ 72,436
Taxes Receivable	2,166
TOTAL ASSETS	$ 74,602

LIABILITIES AND BALANCE

LIABILITIES	
Deferred Revenue	$ 2,166
BALANCE	
Reserved for Road Improvements	72,436
TOTAL LIABILITIES AND BALANCE	$ 74,602

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

MUNICIPAL STREET FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes			
Current Taxes	$ 38,698	$ 17,825	$ (20,873)
Delinquent Taxes	0	2,150	2,150
National Forest	0	1,428	1,428
State Grants			
Metro Act	0	780	780
Interest and Rents			
Interest Earnings	0	235	235
Total Receipts	$ 38,698	$ 22,418	$ (16,280)
DISBURSEMENTS			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance	38,698	16,000	22,698
Excess of Receipts Over (Under) Disbursements	$ 0	$ 6,418	$ 6,418
BALANCE - April 1, 2003	66,018	66,018	0
BALANCE - March 31, 2004	$ 66,018	$ 72,436	$ 6,418

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

CEMETERY FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS	
Cash	
Commercial Accounts	$ 13,055
BALANCE	
Reserved for Cemetery	$ 13,055

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

CEMETERY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Contributions from Local Units			
Sauble Township	$ 0	$ 500	$ 500
Charges for Services			
Sale of Lots	1,500	450	(1,050)
Other Receipts			
Miscellaneous	30	0	(30)
Total Receipts	$ 1,530	$ 950	$ (580)
DISBURSEMENTS			
General Government			
Cemetery			
Supplies			
Operating and Office Supplies	$ 250	$ 156	$ 94
Other Charges and Services			
Public Utilities	300	67	233
Repairs and Maintenance	2,700	1,282	1,418
Total Disbursements	$ 3,250	$ 1,505	$ 1,745
Excess of Receipts Over (Under) Disbursements	$ (1,720)	$ (555)	$ 1,165
OTHER FINANCING SOURCES			
Operating Transfers In			
General Fund	500	500	0
Excess of Receipts and Other Sources Over (Under) Disbursements	$ (1,220)	$ (55)	$ 1,165
BALANCE - April 1, 2003	13,110	13,110	0
BALANCE - March 31, 2004	$ 11,890	$ 13,055	$ 1,165

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS	
Cash	
Commercial Account	$ 1,866
BALANCE	
Balance	$ 1,866

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS			
Current Tax Collections		$ 1,564,661	
Delinquent Tax Collections		3,372	
Overcollections from Taxpayers		2,987	
Commercial Forest		44	
Penalties and Interest		393	
Interest Earnings		27	
Total Receipts			$ 1,571,484
DISBURSEMENTS			
Payments to County Treasurer			
Current Tax	$ 452,898		
Current Tax - State Education Tax	209,619		
Delinquent Tax	817		
Delinquent Tax - State Education Tax	424		
Commercial Forest	44		
Interest on Late Payments	234	$ 664,036	
Payments to Township Treasurer			
Current Tax			
Operating	$ 29,928		
Roads	17,825		
Delinquent Tax			
Operating	52		
Roads	31	47,836	
Payments to Fire District Treasurer			
Current Tax	$ 71,720		
Delinquent Tax	122	71,842	
Payments to School Treasurer			
Current Tax			
Baldwin Community Schools	$ 223,332		
Kaleva-Norman-Dickson Schools	375,399		
Intermediate Schools			
Lake Intermediate	58,596		
Manistee Intermediate	50,520		
West Shore Community College	74,824		
Delinquent Tax			
Kaleva-Norman-Dickson Schools	1,550		
Manistee Intermediate	152		
West Shore Community College	224	784,597	
Refund to Taxpayers for Overcollections		2,942	
Bank Charges		142	
Total Disbursements			1,571,395
Excess of Receipts Over (Under) Disbursements			$ 89
BALANCE - April 1, 2003			1,777
BALANCE - March 31, 2004			$ 1,866

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/2003	ADDITIONS	DELETIONS	BALANCE 3/31/2004
GENERAL FIXED ASSETS				
Land	$ 9,840	$ 0	$ 0	$ 9,840
Land Improvements	3,200	0	0	3,200
Buildings	27,178	0	0	27,178
Machinery and Equipment	11,279	0	0	11,279
Furniture and Fixtures	17,103	0	0	17,103
	$ 68,600	$ 0	$ 0	$ 68,600
INVESTMENT IN GENERAL FIXED ASSETS	$ 68,600	$ 0	$ 0	$ 68,600

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

STATEMENT OF 2003 WINTER TAX ROLL
MARCH 31, 2004

TAXES ASSESSED		
County	$ 507,920	
Township		
Operating	33,564	
Roads	19,991	
Fire	80,432	
Schools		
Baldwin Community Schools	245,933	
Kaleva-Norman-Dickson Schools	412,719	
Intermediate Schools		
Lake Intermediate	65,134	
Manistee Intermediate	56,997	
West Shore Community College	84,418	$ 1,507,108
TAXES COLLECTED		
County	$ 452,898	
Township		
Operating	29,928	
Roads	17,825	
Fire	71,720	
Schools		
Baldwin Community Schools	223,332	
Kaleva-Norman-Dickson Schools	375,399	
Intermediate Schools		
Lake Intermediate	58,596	
Manistee Intermediate	50,520	
West Shore Community College	74,824	1,355,042
TAXES RETURNED DELINQUENT		
County	$ 55,022	
Township		
Operating	3,636	
Roads	2,166	
Fire	8,712	
Schools		
Baldwin Community Schools	22,601	
Kaleva-Norman-Dickson Schools	37,320	
Intermediate Schools		
Lake Intermediate	6,538	
Manistee Intermediate	6,477	
West Shore Community College	9,594	$ 152,066

ELK TOWNSHIP, LAKE COUNTY
IRONS, MICHIGAN

STATEMENT OF 2003 SUMMER TAX ROLL
MARCH 31, 2004

TAXES ASSESSED	
County	
State Education Tax	$ 223,341
TAXES COLLECTED	
County	
State Education Tax	209,619
TAXES RETURNED DELINQUENT	
County	
State Education Tax	$ 13,722

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Elk Township
Lake County
Irons, Michigan

During the course of our audit of the general-purpose financial statements of Elk Township for the year ended March 31, 2004, we noted the following items:

GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Elk Township, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.

The financial statements will be reported on the full accrual basis instead of the modified cash basis.

The budgetary comparison information must report the original adopted budget and the final amended budget.

Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

Budget

Total cash disbursements in the Fire Fund exceeded the budget. Budgeted expenditures should always be amended to cover any excess over budget.

Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Elk Township for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the board for its continued confidence in our firm and thank the Township Clerk and Treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER., C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Elk Township
Lake County
Irons, Michigan

In planning and performing our audit of the general-purpose financial statements of Elk Township, Lake County, Irons, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.