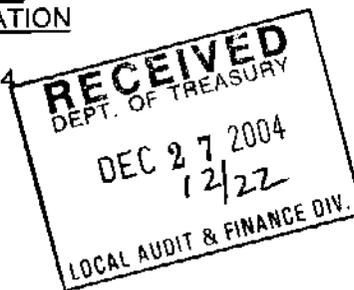


TOWNSHIP OF DRYDEN
Lapeer County, Michigan
44-1070
FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004



AUDITING PROCEDURES REPORT

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

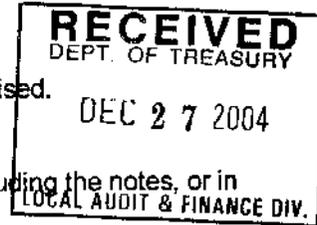
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Dryden	County Lapeer
Audit Date June 30, 2004	Opinion Date September 24, 2004	Date Accountant Report Submitted to State: September 24, 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.

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 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

September 24, 2004

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Dryden, Lapeer County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Dryden's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Dryden, Lapeer County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

Total Township expenses show an increase of \$447,211.00 during the fiscal year. This was primarily the result of a road project and the fire hall renovation project. The board has always taken the conservative approach to spending.

The State of Michigan has mandated changes in reporting practices. The Township keeps records electronically with the result being secure and accurate financial records.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Police Fund, Library Fund, Drug Enforcement Fund and the Revolving Improvement Fund.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

Governmental Fund Types – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These include the Fire Fund, Police Fund, Library Fund and Drug Enforcement Fund. Voters have approved millage rates for some of these funds to help carry out their operations.

Revolving Improvement Fund: Monies have been set aside from the General Fund over the years for various capital improvements. This fiscal year the Township has completely renovated the old fire hall for a cost just over \$300,000.00.

Fiduciary Fund Types – These funds account for assets held by the Township as trustee or agent for individuals, private organization, and other units of government. These funds are as follows:

Trust and Agency Funds: These funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, other governments and/or other funds.

The Current Tax Collection Fund and Agency Fund: These funds are used to account for assets held as an agent or in trust for others.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the course of the year, the Township Board amended the budget several times to take into account events during the year. The most significant change was to establish an account to purchase property adjacent to the Polly Ann Trail for a future park. We also amended the budget to account for additional costs for the fire hall renovation project.

Dryden Township is in the third year of major road improvements throughout the Township. We contributed to the Lapeer County Road Commission \$275,000.00 for this project.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$327,541.00, fire protection, which incurred expenses of \$290,419.00, library incurring expenses of \$162,034.00. Fire protection, police protection and library cultural are supported mainly for special millage that is voter approved.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At the end of FY 2003-2004, the Township had \$1,994,158.00 invested in capital assets, including buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Lapeer County Road Commission (along with the responsibility to maintain them).

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2004.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Plans to complete the final road project will impact the Township's resources significantly. The Township budget for 2005 is significantly less than our 2004 budget because of the building renovation project. Through sound financial management, we have paid for our building and road projects up front and owe no debt. Because of the impact of proposal A and the state reductions to revenue sharing, however, the Township needs to continue to watch its budget very closely.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investor's with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 4849 Dryden Road, Dryden. Phone 810-796-2248.

DRYDEN TOWNSHIP BOARD

Tina M. Papineau, Supervisor
Bonnie J. Rumley, Clerk
Joyce S. Korson, Treasurer

Sally Haynes, Trustee
Geary Priehs, Trustee

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 641 460 27
Investments	627 994 81
Petty cash	<u>250 00</u>
Total Current Assets	<u>2 269 705 08</u>
NONCURRENT ASSETS:	
Capital Assets	1 994 158 11
Less: Accumulated Depreciation	<u>(851 798 21)</u>
Total Noncurrent Assets	<u>1 142 359 90</u>
TOTAL ASSETS	<u>3 412 064 98</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>34 471 88</u>
Total Current Liabilities	<u>34 471 88</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 142 359 90
Unrestricted	<u>2 235 233 20</u>
Total Net Assets	<u>3 377 593 10</u>
TOTAL LIABILITIES AND NET ASSETS	<u>3 412 064 98</u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	86 211 27	-	(86 211 27)
General government	272 848 68	45 332 22	(227 516 46)
Public safety	512 675 97	-	(512 675 97)
Public works	328 092 57	-	(328 092 57)
Culture and recreation	171 144 51	-	(171 144 51)
Total Governmental Activities	<u>1 370 973 00</u>	<u>45 332 22</u>	<u>(1 325 640 78)</u>
General Revenues:			
Property taxes			991 901 60
State revenue sharing			279 372 66
Penal fines			20 613 64
Interest			24 318 86
Miscellaneous			47 219 30
Total General Revenues			<u>1 363 426 06</u>
Change in net assets			37 785 28
Net assets, beginning of year			<u>339 807 82</u>
Net Assets, End of Year			<u>3 377 593 10</u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>	<u>Revolving Improvement</u>
<u>Assets</u>					
Cash in bank	323 749 79	445 316 38	308 809 94	546 165 57	-
Investments	193 779 38	123 309 22	89 956 35	158 816 03	62 133 83
Petty cash	50 00	-	100 00	100 00	-
Due from other funds	419 14	-	-	-	-
Total Assets	<u>517 998 31</u>	<u>568 625 60</u>	<u>398 866 29</u>	<u>705 081 60</u>	<u>62 133 83</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	1 793 18	3 090 22	336 48	16 675 00	-
Total liabilities	<u>1 793 18</u>	<u>3 090 22</u>	<u>336 48</u>	<u>16 675 00</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	516 205 13	565 535 38	398 529 81	688 406 60	62 133 83
Total fund equity	<u>516 205 13</u>	<u>565 535 38</u>	<u>398 529 81</u>	<u>688 406 60</u>	<u>62 133 83</u>
Total Liabilities and Fund Equity	<u>517 998 31</u>	<u>568 625 60</u>	<u>398 866 29</u>	<u>705 081 60</u>	<u>62 133 83</u>

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

<u>Other Funds</u>	<u>Total</u>
4 422 45	1 628 464 13
-	627 994 81
-	250 00
-	419 14
<u>4 422 45</u>	<u>2 257 128 08</u>

<u>-</u>	<u>21 894 88</u>
<u>-</u>	<u>21 894 88</u>

<u>4 422 45</u>	<u>2 235 233 20</u>
<u>4 422 45</u>	<u>2 235 233 20</u>
<u>4 422 45</u>	<u>2 257 128 08</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 235 233 20
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 994 158 11
Accumulated depreciation	<u>(851 798 21)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>3 377 593 10</u></u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
June 30, 2004

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>	<u>Revolving Improvement</u>
Revenues:					
Property taxes	254 783 09	180 667 14	336 642 13	219 809 24	-
State revenue sharing	271 098 00	-	3 644 88	4 629 78	-
Charges for services:					
Property tax administration	45 332 22	-	-	-	-
Penal fines	-	-	-	20 613 64	-
Interest	8 710 80	4 247 54	2 459 05	7 669 03	1 214 62
Miscellaneous	19 466 83	6 724 18	10 885 43	8 660 86	-
Total revenues	<u>599 390 94</u>	<u>191 638 86</u>	<u>353 631 49</u>	<u>261 382 55</u>	<u>1 214 62</u>
Expenditures:					
Legislative:					
Township Board	86 211 27	-	-	-	-
General government:					
Supervisor	45 221 54	-	-	-	-
Elections	2 802 73	-	-	-	-
Attorney	15 671 22	-	-	-	-
Assessor	35 746 49	-	-	-	-
Clerk	64 150 08	-	-	-	-
Board of Review	1 974 66	-	-	-	-
Treasurer	62 157 24	-	-	-	-
Building and grounds	21 615 86	-	-	-	-
Cemetery	3 780 14	-	-	-	-
Public safety:					
Police protection	-	-	290 419 17	-	-
Fire protection	-	127 673 65	-	-	-
Ambulance	13 671 84	-	-	-	-
Protective inspection	108 00	-	-	-	-
Planning Commission	6 414 66	-	-	-	-
Appeals Board	2 398 34	-	-	-	-
Public works:					
Highways and streets	327 541 34	-	-	-	-
Drains	551 23	-	-	-	-
Culture and recreation:					
Library	-	-	-	162 033 66	-
Capital outlay	19 514 50	15 486 16	27 985 92	-	250 640 99
Total expenditures	<u>709 531 14</u>	<u>143 159 81</u>	<u>318 405 09</u>	<u>162 033 66</u>	<u>250 640 99</u>
Excess (deficiency) of revenues over expenditures	<u>(110 140 20)</u>	<u>48 479 05</u>	<u>35 226 40</u>	<u>99 348 89</u>	<u>(249 426 37)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	65 000 00
Operating transfers out	(65 000 00)	-	-	-	-
Total other financing sources(uses)	<u>(65 000 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65 000 00</u>

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

<u>Other Funds</u>	<u>Total</u>
-	991 901 60
-	279 372 66
-	45 332 22
-	20 613 64
17 82	24 318 86
<u>1 482 00</u>	<u>47 219 30</u>
<u>1 499 82</u>	<u>1 408 758 28</u>
-	86 211 27
-	45 221 54
-	2 802 73
-	15 671 22
-	35 746 49
-	64 150 08
-	1 974 66
-	62 157 24
-	21 615 86
-	3 780 14
-	290 419 17
-	127 673 65
-	13 671 84
-	108 00
-	6 414 66
-	2 398 34
-	327 541 34
-	551 23
-	162 033 66
<u>-</u>	<u>313 627 57</u>
<u>-</u>	<u>1 583 770 69</u>
<u>1 499 82</u>	<u>(175 012 41)</u>
-	65 000 00
<u>-</u>	<u>(65 000 00)</u>
<u>-</u>	<u>-</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
June 30, 2004

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>	<u>Revolving Improvement</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(175 140 20)	48 479 05	35 226 40	99 348 89	(184 426 37)
Fund balances, July 1	<u>691 345 33</u>	<u>517 056 33</u>	<u>363 303 41</u>	<u>589 057 71</u>	<u>246 560 20</u>
Fund Balances, June 30	<u><u>516 205 13</u></u>	<u><u>565 535 38</u></u>	<u><u>398 529 81</u></u>	<u><u>688 406 60</u></u>	<u><u>62 133 83</u></u>

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

<u>Other Funds</u>	<u>Total</u>
1 499 82	(175 012 41)
<u>2 922 63</u>	<u>2 410 245 61</u>
<u>4 422 45</u>	<u>2 235 233 20</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (175 012 41)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(100 829 88)
Capital Outlay	<u>313 627 57</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 37 785 28

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Dryden. 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

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.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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.

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 Township 2003 tax roll millage rate was 4.6537 mils, and the taxable value was \$186,210,571.00.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	3-40 years
Furniture and equipment	3-40 years

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.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$1,142,359.90.

Note 2 – 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.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

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.
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.

Note 3 – 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 three banks 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.

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

	<u>Carrying Amounts</u>
Total Deposits	<u>1,641,460.27</u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 3 – Deposits and Investments (continued)

	Bank Balances
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	1 516 464 93
Total Deposits	1 716 464 93

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	(1)	(2)	(3)	Carrying Amount
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				627 994 81
Total Investments				627 994 81

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 7/1/03	Additions	Deletions	Balance 6/30/04
Land and improvements	55 544 00	17 793 04	-	73 337 04
Buildings and improvements	927 094 85	254 405 15	-	1 181 500 00
Equipment	719 315 69	41 429 38	21 424 00	739 321 07
Total	1 701 954 54	313 627 57	21 424 00	1 994 158 11
Accumulated Depreciation	(750 968 33)	(100 829 88)	-	(851 798 21)
Net Capital Assets	950 986 21	212 797 69	21 424 00	1 142 359 90

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	419 14	Current Tax Collection Agency	402 55 16 59
Total	<u>419 14</u>	Total	<u>419 14</u>

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2004, was \$35,571.45.

Note 7 – Deferred Compensation Plan

The Township of Dryden offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township of Dryden for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

Note 8 – 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 9 – Building Permits

The Township of Dryden does not issue building permits. Building permits are issued by the County of Lapeer.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	256 456 00	256 456 00	254 783 09	(1 672 91)
State revenue sharing	248 000 00	248 000 00	271 098 00	23 098 00
Charges for services:				
Property tax administration	40 000 00	40 000 00	45 332 22	5 332 22
Interest	15 000 00	15 000 00	8 710 80	(6 289 20)
Miscellaneous	11 000 00	11 000 00	19 466 83	8 466 83
Total revenues	<u>570 456 00</u>	<u>570 456 00</u>	<u>599 390 94</u>	<u>28 934 94</u>
Expenditures:				
Legislative:				
Township Board	97 725 00	97 725 00	86 211 27	(11 513 73)
General government:				
Supervisor	53 408 00	53 408 00	45 221 54	(8 186 46)
Elections	6 764 00	6 764 00	2 802 73	(3 961 27)
Attorney	25 000 00	25 000 00	15 671 22	(9 328 78)
Assessor	55 200 00	55 200 00	35 746 49	(19 453 51)
Clerk	65 429 00	66 129 00	64 150 08	(1 978 92)
Board of Review	2 775 00	2 775 00	1 974 66	(800 34)
Treasurer	62 232 00	63 500 00	62 157 24	(1 342 76)
Building and grounds	36 710 00	36 710 00	21 615 86	(15 094 14)
Cemetery	7 500 00	7 500 00	3 780 14	(3 719 86)
Public safety:				
Ambulance	25 100 00	25 100 00	13 671 84	(11 428 16)
Protective inspection	1 400 00	1 400 00	108 00	(1 292 00)
Planning Commission	32 890 00	25 922 00	6 414 66	(19 507 34)
Appeals Board	5 120 00	5 120 00	2 398 34	(2 721 66)
Public works:				
Highways and streets	352 300 00	352 300 00	327 541 34	(24 758 66)
Drains	1 000 00	1 000 00	551 23	(448 77)
Capital outlay	11 500 00	25 629 00	19 514 50	(6 114 50)
Total expenditures	<u>842 053 00</u>	<u>851 182 00</u>	<u>709 531 14</u>	<u>(141 650 86)</u>
Excess (deficiency) of revenues over expenditures	<u>(271 597 00)</u>	<u>(280 726 00)</u>	<u>(110 140 20)</u>	<u>170 585 80</u>
Other financing sources (uses):				
Operating transfers out	-	(70 000 00)	(65 000 00)	5 000 00
Total other financing sources (uses)	-	(70 000 00)	(65 000 00)	5 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(271 597 00)	(350 726 00)	(175 140 20)	175 585 80
Fund balance, July 1	<u>271 597 00</u>	<u>350 726 00</u>	<u>691 345 33</u>	<u>340 619 33</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>516 205 13</u>	<u>516 205 13</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over Over (Under)</u>
Revenues:				
Property taxes	182 110 00	182 110 00	180 667 14	(1 442 86)
Interest	5 000 00	5 000 00	4 247 54	(752 46)
Miscellaneous	2 000 00	2 000 00	6 724 18	4 724 18
Total revenues	<u>189 110 00</u>	<u>189 110 00</u>	<u>191 638 86</u>	<u>2 528 86</u>
Expenditures:				
Public safety:				
Fire protection	146 300 00	146 300 00	127 673 65	(18 626 35)
Capital outlay	39 980 00	39 980 00	15 486 16	(24 493 84)
Total expenditures	<u>186 280 00</u>	<u>186 280 00</u>	<u>143 159 81</u>	<u>(43 120 19)</u>
Excess (deficiency) of revenues over expenditures	2 830 00	2 830 00	48 479 05	45 649 05
Fund balance, July 1	-	-	517 056 33	517 056 33
Fund Balance, June 30	<u>2 830 00</u>	<u>2 830 00</u>	<u>565 535 38</u>	<u>562 705 38</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	338 810 00	338 810 00	336 642 13	(2 167 87)
State revenue sharing	2 300 00	2 300 00	3 644 88	1 344 88
Interest	1 500 00	1 500 00	2 459 05	959 05
Miscellaneous	8 412 00	8 412 00	10 885 43	2 473 43
Total revenues	<u>351 022 00</u>	<u>351 022 00</u>	<u>353 631 49</u>	<u>2 609 49</u>
Expenditures:				
Public safety:				
Police protection	303 720 00	303 720 00	290 419 17	(13 300 83)
Capital outlay	36 500 00	36 500 00	27 985 92	(8 514 08)
Total expenditures	<u>340 220 00</u>	<u>340 220 00</u>	<u>318 405 09</u>	<u>(21 814 91)</u>
Excess of revenues over expenditures	10 802 00	10 802 00	35 226 40	24 424 40
Fund balance, July 1	-	-	363 303 41	363 303 41
Fund Balance, June 30	<u>10 802 00</u>	<u>10 802 00</u>	<u>398 529 81</u>	<u>387 727 81</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	218 636 00	218 636 00	219 809 24	1 173 24
State revenue sharing	1 000 00	1 000 00	4 629 78	3 629 78
Penal fines	20 000 00	20 000 00	20 613 64	613 64
Interest	11 000 00	11 000 00	7 669 03	(3 330 97)
Miscellaneous	4 200 00	4 200 00	8 660 86	4 460 86
Total revenues	<u>254 836 00</u>	<u>254 836 00</u>	<u>261 382 55</u>	<u>6 546 55</u>
Expenditures:				
Culture and recreation:				
Library	<u>253 894 00</u>	<u>253 894 00</u>	<u>162 033 66</u>	<u>(91 860 34)</u>
Total expenditures	<u>253 894 00</u>	<u>253 894 00</u>	<u>162 033 66</u>	<u>(91 860 34)</u>
Excess of revenues over expenditures	942 00	942 00	99 348 89	98 406 89
Fund balance, July 1	-	-	589 057 71	589 057 71
Fund Balance, June 30	<u>942 00</u>	<u>942 00</u>	<u>688 406 60</u>	<u>687 464 60</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
June 30, 2004

<u>Assets</u>	<u>Drug Enforcement</u>	<u>Fire</u>	<u>Police</u>	<u>Revolving Improvement</u>	<u>Library</u>
Cash in bank	4 422 45	445 316 38	308 809 94	-	546 165 57
Investments	-	123 309 22	89 956 35	62 133 83	158 816 03
Petty cash	-	-	100 00	-	100 00
Total Assets	<u>4 422 45</u>	<u>568 625 60</u>	<u>398 866 29</u>	<u>62 133 83</u>	<u>705 081 60</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	3 090 22	336 48	-	16 675 00
Total liabilities	<u>-</u>	<u>3 090 22</u>	<u>336 48</u>	<u>-</u>	<u>16 675 00</u>
Fund balances:					
Unreserved:					
Undesignated	4 422 45	565 535 38	398 529 81	62 133 83	688 406 60
Total fund balances	<u>4 422 45</u>	<u>565 535 38</u>	<u>398 529 81</u>	<u>62 133 83</u>	<u>688 406 60</u>
Total Liabilities and Fund Balances	<u>4 422 45</u>	<u>568 625 60</u>	<u>398 866 29</u>	<u>62 133 83</u>	<u>705 081 60</u>

Total

1 304 714 34
434 215 43
200 00

1 739 129 77

20 101 70
20 101 70

1 719 028 07
1 719 028 07

1 739 129 77

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended June 30, 2004

	<u>Drug Enforcement</u>	<u>Fire</u>	<u>Police</u>	<u>Revolving Improvement</u>	<u>Library</u>
Revenues:					
Property taxes	-	180 667 14	336 642 13	-	219 809 24
State revenue sharing	-	-	3 644 88	-	4 629 78
Penal fines	-	-	-	-	20 613 64
Interest	17 82	4 247 54	2 459 05	1 214 62	7 669 03
Miscellaneous	1 482 00	6 724 18	10 885 43	-	8 660 86
Total revenues	<u>1 499 82</u>	<u>191 638 86</u>	<u>353 631 49</u>	<u>1 214 62</u>	<u>261 382 55</u>
Expenditures:					
Public safety:					
Police protection	-	-	290 419 17	-	-
Fire protection	-	127 673 65	-	-	-
Culture and recreation:					
Library	-	-	-	-	162 033 66
Capital outlay	-	15 486 16	27 985 92	250 640 99	-
Total expenditures	<u>-</u>	<u>143 159 81</u>	<u>318 405 09</u>	<u>250 640 99</u>	<u>162 033 66</u>
Excess (deficiency) of revenues over expenditures	<u>1 499 82</u>	<u>48 479 05</u>	<u>35 226 40</u>	<u>(249 426 37)</u>	<u>99 348 89</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	65 000 00	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>65 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 499 82	48 479 05	35 226 40	(184 426 37)	99 348 89
Fund balances, July 1	<u>2 922 63</u>	<u>517 056 33</u>	<u>363 303 41</u>	<u>246 560 20</u>	<u>589 057 71</u>
Fund Balances, June 30	<u>4 422 45</u>	<u>565 535 38</u>	<u>398 529 81</u>	<u>62 133 83</u>	<u>688 406 60</u>

Total

737 118 51
8 274 66
20 613 64
15 608 06
27 752 47

809 367 34

290 419 17
127 673 65

162 033 66
294 113 07

874 239 55

(64 872 21)

65 000 00
65 000 00

127 79

1 718 900 28

1 719 028 07

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2004

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>1 670 20</u>	<u>4 214 388 99</u>	<u>4 215 656 64</u>	<u>402 55</u>
<u>Liabilities</u>				
Due to other funds	609 21	822 794 18	823 000 84	402 55
Due to others	<u>1 060 99</u>	<u>3 391 594 81</u>	<u>3 392 655 80</u>	-
Total Liabilities	<u>1 670 20</u>	<u>4 214 388 99</u>	<u>4 215 656 64</u>	<u>402 55</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>17 560 91</u>	<u>20 479 70</u>	<u>25 447 02</u>	<u>12 593 59</u>
<u>Liabilities</u>				
Deposits payable	17 560 91	18 163 31	23 147 22	12 577 00
Due to other funds	-	2 316 39	2 299 80	16 59
Total Liabilities	<u>17 560 91</u>	<u>20 479 70</u>	<u>25 447 02</u>	<u>12 593 59</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>19 231 11</u>	<u>4 234 868 69</u>	<u>4 241 103 66</u>	<u>12 996 14</u>
<u>Liabilities</u>				
Deposits payable	17 560 91	18 163 31	23 147 22	12 577 00
Due to other funds	609 21	825 110 57	825 300 64	419 14
Due to others	<u>1 060 99</u>	<u>3 391 594 81</u>	<u>3 392 655 80</u>	-
Total Liabilities	<u>19 231 11</u>	<u>4 234 868 69</u>	<u>4 241 103 66</u>	<u>12 996 14</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Township Board:	
Salaries	
Payroll taxes	13 700 08
Fringe benefits	367 67
Office supplies	3 634 86
Contracted services	6 982 09
Cleanup	7 578 22
Recycle	3 843 00
Audit	3 033 49
Memberships and dues	4 400 00
Telephone	4 848 16
Printing and publishing	4 035 13
Insurance	2 178 50
Miscellaneous	24 159 76
Education	6 440 31
	<u>1 010 00</u>
	<u>86 211 27</u>
Supervisor:	
Salary	
Salary – deputy	27 428 04
Payroll taxes	2 438 40
Fringe benefits	2 490 86
Insurance	7 385 99
Miscellaneous	4 662 76
	<u>815 49</u>
	<u>45 221 54</u>
Elections:	
Wages	
Office supplies	931 75
Miscellaneous	1 100 26
	<u>770 72</u>
	<u>2 802 73</u>
Attorney	
	<u>15 671 22</u>
Assessor:	
Office supplies	
Contracted services	1 353 99
	<u>34 392 50</u>
Clerk:	<u>35 746 49</u>
Salary	
Salary – deputy	32 340 00
Payroll taxes	12 180 09
Fringe benefits	3 826 40
Insurance	8 219 69
Education	5 497 80
Miscellaneous	1 962 92
	<u>123 18</u>
	<u>64 150 08</u>
Board of Review:	
Wages	
Payroll taxes	1 505 50
Fringe benefits	33 33
Miscellaneous	49 50
	<u>386 33</u>
	<u>1 974 66</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Treasurer:	
Salary	28 824 96
Salary – deputy	12 077 39
Payroll taxes	3 503 91
Insurance	4 900 25
Fringe benefits	7 306 24
Office supplies	2 989 53
Travel	500 57
Miscellaneous	2 054 39
	<u>62 157 24</u>
Building and grounds:	
Wages	3 270 00
Payroll taxes	47 42
Fringe benefits	122 62
Operating supplies	1 212 09
Contracted services	4 295 00
Utilities	5 052 17
Maintenance	7 616 56
	<u>21 615 86</u>
Cemetery	<u>3 780 14</u>
Ambulance	<u>13 671 84</u>
Protective inspection:	
Miscellaneous	<u>108 00</u>
Planning Commission:	
Wages	2 940 00
Payroll taxes	42 65
Fringe benefits	92 23
Printing and publishing	98 60
Contracted services	2 809 00
Miscellaneous	432 18
	<u>6 414 66</u>
Appeals Board:	
Wages	2 280 00
Payroll taxes	60 96
Fringe benefits	57 38
	<u>2 398 34</u>
Highways and streets:	
Repairs and maintenance	<u>327 541 34</u>
Drains	<u>551 23</u>
Capital outlay	<u>19 514 50</u>
Total Expenditures	<u><u>709 531 14</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Fire protection:	
Salaries and wages	
Payroll taxes	55 998 18
Fringe benefits	1 041 69
Office supplies	2 757 17
Operating supplies	1 359 52
Fire prevention	13 937 38
Repairs and maintenance	447 34
EMS	4 751 41
Memberships and dues	15 724 66
Physicals	560 00
Travel	213 00
Insurance	1 144 51
Utilities	17 114 13
Training	5 192 42
Capital outlay	7 432 24
	<u>15 486 16</u>
Total Expenditures	<u><u>143 159 81</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Police protection:	
Salaries and wages	
Fringe benefits	196 186 45
Payroll taxes	12 706 73
Supplies	10 554 02
Repairs and maintenance	15 043 15
Telephone	11 181 45
Utilities	1 205 05
Insurance	3 499 72
Miscellaneous	33 628 84
Capital outlay	6 413 76
	<hr/>
Total Expenditures	27 985 92
	<hr/>
	318 405 09

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Library:	
Salaries and wages	
Payroll taxes	72 264 80
Supplies	3 966 49
Repairs and maintenance	4 033 16
Memberships and dues	27 280 18
Contracted services	1 727 94
Travel	1 956 00
Insurance	385 64
Utilities	4 574 54
Audio visual	6 220 21
Books and periodicals	8 076 15
Miscellaneous	27 926 65
	<u>3 621 90</u>
Total Expenditures	<u><u>162 033 66</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

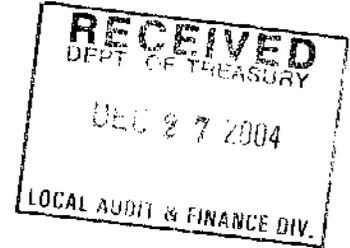
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 24, 2004

To the Township Board
Township of Dryden
Lapeer County, Michigan



We have audited the financial statements of the Township of Dryden for the year ended June 30, 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 Dryden 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.

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."

To the Township Board
Township of Dryden
Lapeer County, Michigan

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.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Dryden began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is 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 June 30, 2004.

To the Township Board
Township of Dryden
Lapeer County, Michigan

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