TOWNSHIP OF HARRIS

REPORT ON FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2004

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

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	HARRIS TOWNSHIP	MENOMINEE

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
JUNE 30, 2004	MAY 16, 2005	MAY 16, 2005

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.

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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.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
RAY PAYMENT, CPA			
Street Address	City	State	ZIP
1217 LUDINGTON STREET	ESCANABA	MI	49829
Accountant Signature			

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RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET
ESCANABA, MICHIGAN 49829
PHONE: 906-786-8520
FAX: 906-786-8521

PROFESSIONAL BUILDING
STEPHENSON, MICHIGAN 49887
PHONE: 906-753-4700

May 16, 2005

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board
Township of Harris
Menominee County, Michigan

I have audited the accompanying general purpose financial statements of Harris Township, Michigan as of and for the year ended June 30, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As described in Note 2, the Township of Harris prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America requires the presentation of government-wide financial statements. The statements for the Township's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In my opinion, except for the effects of the omission of the general fixed assets and government-wide financial statements, as

May 16, 2005

HARRIS TOWNSHIP
INDEPENDENT AUDITOR'S REPORT (Continued)

discussed in the above paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at June 30, 2004, and revenues received and the expenditures paid of such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of Harris Township, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ray L. Payment
Certified Public Accountant

TOWNSHIP OF HARRIS
COMBINED BALANCE SHEET - CASH BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2004

	Governmental Fund Type		Fiduciary Fund Types	
	General	Special Revenue	Cemetery Fund	Tax Fund
ASSETS:				
Cash	$ 646 901	$ -	$ 4 702	$ 6 053
Due from tax fund	6 053	-	-	-
TOTAL ASSETS	$ 652 954	$ -	$ 4 702	$ 6 053
LIABILITIES:				
Due to General Fund	$ -	$ -	$ -	$ -
FUND EQUITY:				
Fund Balance	$ 652 954	$ -	$ 4 702	$ -
TOTAL LIABILITIES AND FUND BALANCE	$ 652 954	$ -	$ 4 702	$ 6 053

See accompanying notes to financial statements.

TOWNSHIP OF HARRIS
COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

	Governmental Fund Type	
	General	Special Revenue
CASH RECEIPTS:		
Current Property taxes	$ 33 662	$ 23 804
Delinquent taxes and fees	–	–
Liquor license fees	–	591
State revenue sharing	144 875	–
Swamp tax	4 275	–
Tax collection fees	11 757	–
Interest	11 554	–
Reimbursements and miscellaneous	961	–
Chip-In Casino Grant	70 472	–
TOTAL CASH RECEIPTS	277 556	24 395
CASH DISBURSEMENTS:		
Legislative:		
Township board expenses and trustees	14 313	–
General Government:		
Township supervisor	9 000	–
Assessor	18 895	–
Insurance	14 594	–
Street lights	8 160	–
Township clerk	9 290	–
Board of Review	582	–
Treasurer	11 366	–
Township Hall	26 197	–
Zoning	5 115	–
Liquor law enforcement	–	591
Fire protection	19 541	23 804
Highways and roads	61 560	–
TOTAL CASH DISBURSEMENTS	198 613	24 395
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	78 943	–
FUND BALANCE, July 1, 2003	574 011	–
FUND BALANCE, June 30, 2004	$652 954	$ –

See accompanying notes to financial statements.

TOWNSHIP OF HARRIS
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS
GENERAL AND SPECIAL REVENUE FUNDS
JUNE 30, 2004

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes	$ 33 662	$ 37 000	$ (3 338)
Liquor license fees	–	–	–
State revenue sharing	144 875	145 000	(125)
Swamp tax and C.F.R.	4 275	4 000	275
Tax collection fees	11 757	11 500	257
Interest	11 554	12 000	(446)
Reimbursements & miscellaneous	961	8 000	(7 039)
Chip-In Casino Grant	70 472	50 000	20 472
TOTAL RECEIPTS	277 556	267 500	10 056
CASH DISBURSEMENTS:			
Township board expense & trustee	14 313	24 000	9 687
Township supervisor	9 000	11 000	2 000
Assessor	18 895	18 000	(895)
Township clerk	9 290	8 000	(1 290)
Board of Review	582	1 000	418
Treasurer	11 366	9 000	(2 366)
Township Hall expense	26 197	26 000	(197)
Elections	–	2 000	2 000
Liquor law enforcement	–	–	–
Retirement	–	8 000	8 000
Fire protection	19 541	16 000	(3 541)
Highways and roads	61 560	110 000	48 440
Street lights	8 160	10 000	1 840
Miscellaneous	–	11 000	11 000
Insurance and bonds	14 594	11 000	(3 594)
Zoning	5 115	3 000	(2 115)
TOTAL DISBURSEMENTS	198 613	268 000	69 387
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	78 943	(500)	79 443
FUND BALANCE, July 1, 2003	574 011	574 011	–
FUND BALANCE, June 30, 2004	$652 954	$ 573 511	$ 79 443

See accompanying notes to financial statements.

Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (unfavorable)
$ 23 804	$ 25 800	$ (1 996)
591	900	(309)
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
24 395	26 700	(2 305)
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
591	450	(141)
–	–	–
23 804	24 000	196
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
–	–	–
24 395	24 450	55
–	2 250	(2 250)
–	–	–
$ –	$ 2 250	$ –

TOWNSHIP OF HARRIS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE -
NON-EXPENDABLE TRUST - CEMETERY
FISCAL YEAR ENDED JUNE 30, 2004

Cash Receipts:	
Interest	$ 21
Total revenues	21
Net income (loss)	$ 21
Fund balance - July 1, 2003	4 681
Fund balance - June 30, 2004	$ 4 702

NOTE 1 - REPORTING ENTITY

Harris Township is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NGCA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NGCA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educations services are provided through the school system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Fund

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The only Agency Fund are the Current Tax Collection Fund and the Cemetery Fund.

SPECIAL REVENUE FUNDS

Liquor Fund and Fire Fund

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Harris Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

BASIS OF ACCOUNTING

Governmental Funds

The accounting policies of Harris Township do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

The Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Budgets and Budgetary Accounting

A budget is adopted by the Township Board for the General Fund and Special Revenue Funds based on anticipated required cash disbursements for the fiscal year July 1, 2003 through June 30, 2004, which is consistent with the cash basis of accounting for governmental fund types. The budget is

adopted at the line item level. The Township Board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. The amounts budgeted are presented on page 7. All appropriations lapse at fiscal year-end.

FIXED ASSETS

The accounting policies of Harris Township as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

PROPERTY TAXES

The Township's 2003 ad valorem tax was levied and collectible on December 1, 2003. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds on this levy are budgeted and made available for the financing of Township operations. Payment from the county which purchases the 2003 delinquent taxes will be recognized as revenue when received in cash. (See schedule on page 16 for levy breakdown and millage rates).

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in one bank in the name of Harris Township Treasurer. Michigan Complied Laws, Section 124.91 authorized the Township Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states

that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

Deposits	Carrying Amount
Insured	$ 200 000
Non-insured	463 709
TOTAL DEPOSITS	$ 663 709

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 5 - 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; injuries to employees; and natural disasters.

The Township purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Township's expenses is to pay only the annual premium. In addition, the Township purchases worker's compensation insurance.

TOWNSHIP OF HARRIS
COMBINING BALANCE SHEET - CASH BASIS
SPECIAL REVENUE FUNDS
JUNE 30, 2004

	Liquor Fund	Fire Fund
Cash	$ -	$ -
FUND BALANCE	$ -	$ -

See accompanying notes to financial statements.

TOWNSHIP OF HARRIS
COMBINING STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	Liquor Fund	Fire Fund
CASH RECEIPTS:		
Liquor license fees	$ 591	$ -
Current property taxes	-	23 804
Delinquent taxes	-	-
TOTAL CASH RECEIPTS	591	23 804
CASH DISBURSEMENTS:		
Liquor law enforcement	591	-
Fire protection	-	23 804
TOTAL CASH DISBURSEMENTS	591	23 804
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-
FUND BALANCE, July 1, 2003	-	-
FUND BALANCE, June 30, 2004	$ -	$ -

See accompanying notes to financial statements.

TOWNSHIP OF HARRIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
JUNE 30, 2004

CURRENT TAX COLLECTION FUND	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ASSETS				
Cash	$ –	$ 727 134	$ 721 081	$ 6 053
TOTAL ASSETS	$ –	$ 727 134	$ 721 081	$ 6 053
LIABILITIES				
Due to other taxing units:				
Township of Harris	$ –	$ 41 043	$ 34 990	$ 6 053
Menominee County	–	243 474	243 474	–
Township Fire	–	23 804	23 804	–
Intermediate School Districts	–	58 009	58 009	–
State of Michigan	–	123 189	123 189	–
Area Schools	–	237 615	237 615	–
TOTAL LIABILITIES	$ –	$ 727 134	$ 721 081	$ 6 053

TOWNSHIP OF HARRIS
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES
YEAR ENDED JUNE 30, 2004

	Harris Township General Fund	Harris Township Fire Fund
Taxable valuation	$ 26 042 861	$ 26 042 861
Millage rate	1.4015	.9912
Tax Levy	36 515	25 822
Taxes returned delinquent	2 853	2 018
Current tax collections	$ 33 662	$ 23 804

Menominee County	Total Area Schools	Total Intermediate Schools	State of Michigan S.E.T.
$ 26 042 861	$ 26 042 861	$ 26 042 861	$ 26 042 861
9.0419	21.7161	2.4375	5.0000
235 607	254 354	62 906	130 371
18 406	16 739	4 897	7 452
$ 217 201	$ 237 615	$ 58 009	$ 122 919

RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

1217 LUDINGTON STREET
ESCANABA, MICHIGAN 49829
PHONE: 906-786-8520
FAX: 906-786-8521

PROFESSIONAL BUILDING
STEPHENSON, MICHIGAN 49887
PHONE: 906-753-4700

May 16, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Harris Township Board
Harris Township
Menominee County, Michigan

I have audited the general purpose financial statements of Harris Township as of and for the year ended June 30, 2004, and have issued my report thereon dated May 16, 2005. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harris Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed certain instances of noncompliance that are required to be reported under Government Auditing Standards as follows:

> The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Harris Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over

more of the internal control component

financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted certain matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses as follows:

> Deposits are not being made timely. Checks to be deposited are being held for several weeks before being deposited in the bank.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray L. Payment
Certified Public Accountant