REEDER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

RECEIVED
DEPT. OF TREASURY
AUG 23 2004
8/19
LOCAL AUDIT & FINANCE DIV.

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Reeder Township	Missaukee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	7/6/04	8/12/04

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 TREASURY
AUG 23 2004
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: 134 W. Harris Street	City: Cadillac	State: MI	ZIP: 49601
Accountant Signature: [signature] CPA		Date: 8-12-04	

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2004

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REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2004

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Baird, Cotter and Bishop, P.C.

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

July 6, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Reeder Township, Missaukee County
Lake City, Michigan

We have audited the accompanying general-purpose financial statements of Reeder Township, Missaukee County, Lake City, 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 the Reeder Township, Missaukee County, Lake City, 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.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES
MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	AGENCY	
ASSETS				
Cash				
Commercial Account	$ 115	$ 0	$ 0	$ 115
Money Market Account	174,605	5,680	243,764	424,049
Taxes Receivable	32,096	45,294	0	77,390
TOTAL ASSETS	$ 206,816	$ 50,974	$ 243,764	$ 501,554
LIABILITIES AND EQUITY				
LIABILITIES				
Deferred Revenue	$ 32,096	$ 45,294	$ 0	$ 77,390
Payroll Withholdings	467	0	0	467
Total Liabilities	$ 32,563	$ 45,294	$ 0	$ 77,857
EQUITY				
Balance				
Unreserved	174,253	5,680	243,764	423,697
TOTAL LIABILITIES AND EQUITY	$ 206,816	$ 50,974	$ 243,764	$ 501,554

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

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
RECEIPTS			
Taxes	$ 7,798	$ 6,081	$ 13,879
Licenses and Permits	1,250	0	1,250
State Grants	78,867	0	78,867
Interest and Rents	1,816	28	1,844
Other Receipts	175	0	175
Total Receipts	$ 89,906	$ 6,109	$ 96,015
DISBURSEMENTS			
Legislative			
Township Board	$ 3,230	$ 0	$ 3,230
General Government			
Supervisor	6,300	0	6,300
Assessor	13,369	0	13,369
Clerk	6,450	0	6,450
Board of Review	1,611	0	1,611
Treasurer	13,927	0	13,927
Building and Grounds	2,620	0	2,620
Cemetery	500	0	500
Public Safety	8,519	0	8,519
Public Works	8,140	21,511	29,651
Community and Economic Development	599	0	599
Other Functions	5,540	0	5,540
Total Disbursements	$ 70,805	$ 21,511	$ 92,316
Excess of Receipts Over (Under) Disbursements	$ 19,101	$ (15,402)	$ 3,699
BALANCE - April 1, 2003	155,152	21,082	176,234
BALANCE - March 31, 2004	$ 174,253	$ 5,680	$ 179,933

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

EXHIBIT C

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

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

FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes	$ 69,400	$ 7,798	$ (61,602)
Licenses and Permits	0	1,250	1,250
State Grants	78,000	78,867	867
Interest and Rents	0	1,816	1,816
Other Receipts	0	175	175
Total Receipts	$ 147,400	$ 89,906	$ (57,494)
DISBURSEMENTS			
Legislative			
Township Board	$ 4,000	$ 3,230	$ 770
General Government			
Supervisor	5,500	6,300	(800)
Assessor	12,401	13,369	(968)
Clerk	7,000	6,450	550
Board of Review	2,000	1,611	389
Treasurer	13,800	13,927	(127)
Building and Grounds	4,000	2,620	1,380
Cemetery	500	500	0
Public Safety	20,000	8,519	11,481
Public Works	60,000	8,140	51,860
Community and Economic Development	0	599	(599)
Other Functions	9,000	5,540	3,460
Contingency	599	0	599
Total Disbursements	$ 138,800	$ 70,805	$ 67,995
Excess of Receipts Over (Under) Disbursements	$ 8,600	$ 19,101	$ 10,501
BALANCE - April 1, 2003	111,000	155,152	44,152
BALANCE - March 31, 2004	$ 119,600	$ 174,253	$ 54,653

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Reeder Township is a general law township located in Missaukee 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:

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 account for revenue sources that are legally restricted to expenditure for specific purposes (not including expandable trusts or major capital projects)

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.

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 certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township's investment policy limits the Township Treasurer to investments authorized by Act 20 of 1943, as amended and may invest in the following:

(a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

(b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Township board at the board's organizational meeting after each regular election of board members.

(c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

(d) In repurchase agreements consisting of instruments listed in subdivision (a).

(e) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of $1 per share.

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 liabilities recognized are for unremitted payroll tax withholdings.

3. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) should be accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The Township does not maintain a General Fixed Asset 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 in conformity with the modified cash basis of accounting 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 Township's annual budget is 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. The 2003-2004 budget was adopted on March 29, 2003. Budget amendments were made prior to year end.

The appropriate 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, complete budgets were not available for the Special Revenue Funds.

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 $424,164, and the bank balance was $424,164. Of the bank balance, $205,795 was covered by federal depository insurance. The remaining $218,369 are in accounts which exceed the federal depository insurance unit of $100,000 and also are uncollateralized.

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

	GENERAL FUND	BUDGET STABILIZATION FUND	CURRENT TAX COLLECTION FUND
Chemical Bank West			
Cadillac, Michigan			
Commercial Accounts	$ 115	$ 0	$ 0
Money Market Accounts	174,605	5,680	243,764
	$ 174,720	$ 5,680	$ 243,764

B. Budget Stabilization Fund

During the year, the only activity within the fund was the earning of interest. The money within the fund will, at some time, be returned to the General Fund under the conditions of Act 30 of the Public Acts of 1978, which is the act which provided for the creation and use of Budget Stabilization Funds within the State of Michigan.

C. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays at least $150 per fire run within the township which could be reimbursed.

In addition to the annual contribution, each township was required to contribute monies in order to construct a fire station.

For the year ended March 31, 2004, the Township contributed a total of $8,519 to the Fire Authority.

The following information was taken from the Fire Authority's March 31, 2003 audited financial statements:

Total Assets	$ 1,232,533
Investment in Fixed Assets	1,172,223
Balance - Unreserved	39,471
Total Receipts	104,141
Total Disbursements	111,817
Net Increase (Decrease) in Fund Balance	(7,676)

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

D. Road Improvement Fund

Electors approved a two mill levy for road improvements within the township. The transactions accounting for this levy are reflected in a separate fund labeled "Road Fund."

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 1.4173 mills in tax on a taxable value of $22,668,602 on the 2003 tax roll for operations and 2.0000 mills for road improvement.

The date of the levy was 12/1/03 at which time the taxes become an enforceable lien against the property. Taxes are due and payable to the Township treasurer on or before February 28. After February 28, the property taxes are payable to the Missaukee County Treasurer. Generally, property taxes levied December 1 which are collected prior to the end of the fiscal year are transferred from the tax account to the general fund and recorded as income. For the 2003-2004 fiscal year, the current tax collections were not transferred from the tax account to the general fund until after year end.

B. Interest Income and Expense

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

	INTEREST INCOME	INTEREST EXPENSE
General Fund	$ 1,816	$ 0
Budget Stabilization Fund	28	0
	$ 1,844	$ 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. Current Tax Collection Fund Balance

The balance of $243,764 remaining in the current tax collection fund at March 31, 2004, consisted of interest and other items which were transferred to other governmental units and other funds after year-end as follows:

County		
Current Taxes	$ 58,210	
Penalties and Interest	123	
Dog License Fees	146	$ 58,479
Township		
Current Taxes-Operating	$ 27,922	
Current Taxes-Roads	39,351	
Property Tax Administration Fees	1,058	
Sewer	72	
Dog License Fees	4	
Interest Earnings	20	68,427
School Treasurers		
Current Taxes		
Lake City Public Schools	$ 50,034	
McBain Rural Agricultural School	24,149	
Wexford-Missaukee Intermediate School	42,655	116,838
Other		20
		$ 243,764

D. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee on summer advalorem taxes levied.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in the statements.

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 insurance 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.

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

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Commercial Account	$ 115
Money Market Account	174,605
Taxes Receivable	32,096
TOTAL ASSETS	$ 206,816

LIABILITIES AND EQUITY

LIABILITIES	
Deferred Revenue	$ 32,096
Payroll Withholdings	467
Total Liabilities	$ 32,563
EQUITY	
Balance	
Unreserved	174,253
TOTAL LIABILITIES AND EQUITY	$ 206,816

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

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

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL
RECEIPTS		
Taxes	$ 69,400	$ 7,798
Licenses and Permits	0	1,250
State Grants	78,000	78,867
Interest and Rents	0	1,816
Other Receipts	0	175
Total Receipts	$ 147,400	$ 89,906
DISBURSEMENTS		
Legislative		
Township Board	$ 4,000	$ 3,230
General Government		
Supervisor	5,500	6,300
Assessor	12,401	13,369
Clerk	7,000	6,450
Board of Review	2,000	1,611
Treasurer	13,800	13,927
Building and Grounds	4,000	2,620
Cemetery	500	500
Public Safety	20,000	8,519
Public Works	60,000	8,140
Community and Economic Development	0	599
Other Functions	9,000	5,540
Contingency	599	0
Total Disbursements	$ 138,800	$ 70,805
Excess of Receipts Over (Under) Disbursements	$ 8,600	$ 19,101
BALANCE - April 1, 2003	111,000	155,152
BALANCE - March 31, 2004	$ 119,600	$ 174,253

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS
FOR THE YEAR ENDED MARCH 31, 2004

TAXES		
Delinquent Property Tax	$ 4,309	
Payments in Lieu of Taxes		
Swamp Taxes	972	
Summer Tax Collection	2,517	
Total Taxes		$ 7,798
LICENSES AND PERMITS		
Land Division Fees		1,250
STATE GRANTS		
State Revenue Sharing		
Sales and Use Tax		78,867
INTEREST AND RENTS		
Interest Earnings		1,816
OTHER RECEIPTS		
Miscellaneous		175
TOTAL RECEIPTS		$ 89,906

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE				
Township Board				
Personal Services				
Salaries and Wages			$ 1,680	
Other Services and Charges				
Printing and Publishing			29	
Dues and Fees			541	
Contracted Services			873	
Miscellaneous			107	
Total Legislative				$ 3,230
GENERAL GOVERNMENT				
Supervisor				
Personal Services				
Salaries and Wages	$ 6,000			
Other Services and Charges				
Rent	300			
Total Supervisor			$ 6,300	
Assessor				
Supplies				
Office Supplies	$ 519			
Other Services and Charges				
Contracted Services	12,850			
Total Assessor			13,369	
Clerk				
Personal Services				
Salaries and Wages	$ 6,000			
Supplies				
Office Supplies	134			
Other Services and Charges				
Rent	300			
Miscellaneous	16			
Total Clerk			6,450	
Board of Review				
Other Services and Charges				
Contracted Services	$ 1,320			
Printing and Publishing	21			
Miscellaneous	270			
Total Board of Review			1,611	

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Treasurer			
Personal Services			
Salaries and Wages	$ 9,771		
Supplies			
Office Supplies	1,067		
Other Services and Charges			
Contracted Services	2,789		
Rent	300		
Total Treasurer		13,927	
Building and Grounds			
Other Services and Charges			
Contracted Services	326		
Public Utilities	2,294		
Total Building and Grounds		2,620	
Cemetery			
Other Services and Charges			
Contracted Services		500	
Total General Government			44,777
PUBLIC SAFETY			
Fire Department			
Other Services and Charges			
Aid to Other Government			8,519
PUBLIC WORKS			
Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services			8,140
COMMUNITY AND ECONOMIC DEVELOPMENT			
Other Services and Charges			
Contracted Services			599

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS - CONTINUED
FOR THE YEAR ENDED MARCH 31, 2004

OTHER FUNCTIONS		
Insurance and Bonds	$ 3,125	
Employee Benefits		
Medicare and Social Security	1,712	
Workers' Compensation	703	
Total Other Functions		5,540
TOTAL DISBURSEMENTS		$ 70,805

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

	BUDGET STABILIZATION	ROAD	TOTAL
ASSETS			
Cash			
Money Market Accounts	$ 5,680	$ 0	$ 5,680
Taxes Receivable	0	45,294	45,294
TOTAL ASSETS	$ 5,680	$ 45,294	$ 50,974
LIABILITIES AND EQUITY			
LIABILITIES			
Deferred Revenue	$ 0	$ 45,294	$ 45,294
EQUITY			
Balance			
Unreserved	$ 5,680	$ 0	$ 5,680
Reserved for:			
Road Improvements	0	0	0
Total Balance	$ 5,680	$ 0	$ 5,680
TOTAL LIABILITIES AND BALANCE	$ 5,680	$ 45,294	$ 50,974

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET STABILIZATION	ROAD	TOTAL
RECEIPTS			
Taxes	$ 0	$ 6,081	$ 6,081
Interest and Rents	28	0	28
Total Receipts	$ 28	$ 6,081	$ 6,109
DISBURSEMENTS			
Public Works			
Highways, Streets and Bridges	0	21,511	21,511
Excess of Receipts Over (Under) Disbursements	$ 28	$ (15,430)	$ (15,402)
BALANCE - April 1, 2003	5,652	15,430	21,082
BALANCE - March 31, 2004	$ 5,680	$ 0	$ 5,680

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

BUDGET STABILIZATION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS	
Cash	
Money Market Account	$ 5,680

EQUITY	
EQUITY	
Balance	
Unreserved	$ 5,680

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

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

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS	
Interest and Rents	
Interest Earnings	$ 28
DISBURSEMENTS	0
Excess of Receipts Over (Under) Disbursements	$ 28
BALANCE - April 1, 2003	5,652
BALANCE - March 31, 2004	$ 5,680

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Taxes Receivable	$ 45,294

LIABILITIES AND EQUITY

LIABILITIES	
Deferred Revenue	$ 45,294
EQUITY	
Balance	
Reserved for Road Improvement	0
TOTAL LIABILITIES AND EQUITY	$ 45,294

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS	
Taxes	
Delinquent Property Taxes	$ 6,081
DISBURSEMENTS	
Public Works	
Highways, Streets and Bridges	
Other Services and Charges	
Repairs and Maintenance	21,511
Excess of Receipts Over (Under) Disbursements	$ (15,430)
BALANCE - April 1, 2003	15,430
BALANCE - March 31, 2004	$ 0

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	$ 243,764

EQUITY

EQUITY	
Balance	$ 243,764

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, 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		$ 616,128	
Property Tax Administration Fees		1,058	
Delinquent Tax Collections and Interest		316	
Penalties and Interest		208	
Overcollections from Taxpayers		372	
Dog License Fees		150	
Interest Earnings		91	
Total Receipts			$ 618,323
DISBURSEMENTS			
Payments to County Treasurer			
Current Tax - 2003 Tax Roll	$ 185,780		
Delinquent Tax Collections and Interest	95		
Penalties and Interest	85	$ 185,960	
Payments to Township Treasurer			
Delinquent Tax Collections and Interest		25	
Payments to School Treasurer			
Current Tax - 2003 Tax Roll			
Lake City Public Schools	$ 62,598		
McBain Rural Agricultural School	49,689		
Wexford-Missaukee Intermediate	75,668		
Delinquent Tax Collections and Interest			
Lake City Public Schools	152		
Wexford-Missaukee Intermediate	44	188,151	
Refund to Taxpayers for Overcollections		352	
Other Expense		90	
Total Disbursements			374,578
Excess of Receipts Over (Under) Disbursements			$ 243,745
BALANCE - April 1, 2003			19
BALANCE - March 31, 2004			$ 243,764

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED		
County		
County - State Education Tax	$ 158,324	
Township	113,242	
Operating		
Roads	32,096	
Sewer	45,294	
Schools	72	
Lake City Area Schools		
McBain Rural Agricultural School	132,481	
Intermediate School	83,093	
Wexford-Missaukee		
	135,896	$ 700,498
TAXES COLLECTED		
County		
County - State Education Tax	$ 137,851	
Township	106,139	
Operating		
Roads	27,922	
Sewer	39,351	
Schools	72	
Lake City Area Schools		
McBain Rural Agricultural School	112,632	
Intermediate School	73,838	
Wexford-Missaukee		
	118,323	616,128
TAXES RETURNED DELINQUENT		
County		
County - State Education Tax	$ 20,473	
Township	7,103	
Operating		
Roads	4,174	
Sewer	5,943	
Schools	0	
Lake City Area Schools		
McBain Rural Agricultural School	19,849	
Intermediate School	9,255	
Wexford-Missaukee		
	17,573	$ 84,370

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Baird, Cotter and Bishop, P.C.

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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.

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.

July 6, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Reeder Township, Missaukee County
Lake City, Michigan

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

Current Tax Collection Payments

State statute requires that ten business days after the last day of February at least 90% of the total tax collections on hand be paid by the Township to the County Treasurer and School District Treasurers. In addition, not later than April 1, the Township Treasurer is to make final adjustments and payment of the total amount of tax collections on hand.

As of March 31, 2004, a balance of $243,764 remained in the Current Tax Collection Fund. We recommend that the Township Treasurer review the tax payment requirements and any balance remaining in the Current Tax Collection Fund be paid to the appropriate units or be transferred to the General Fund prior to the end of the fiscal year.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978 the following item is noted:

Budgets were not adopted for the Budget Stabilization Fund and the Road Fund. In the future, a budget for these funds should be adopted for both receipts and disbursements, by activities, so that a statement showing actual receipts and disbursements can be compared to the budget as required by the Michigan Governmental Accounting and Auditing Guide.

General Fixed Assets

The Township should complete its record of all Township owned land, buildings and equipment. This record of assets would then be included in the general-purpose financial statements as the General Fixed Asset Group of Accounts. This would meet a requirement of the Michigan Uniform Accounting Procedures for Local Units of Government, and it would give the present and future Township officers an internal control of all Township assets owned. This list will also be necessary in the future implementation of GASB 34 discussed later in this letter.

GASB 34

The Governmental Accounting Standards Board (GASB) has issued statement number 34 which will become effective for the Township for the year ending March 31, 2005. We are available to assist the Township in determining the effect this new pronouncement will have on the Township as well as what the Michigan Department of Treasury will require of the Township related to GASB 34.

General Recordkeeping

The accounting records for the year ended March 31, 2004, were found to be in good order and in compliance with the State's uniform accounting system. We would like to commend the Clerk and Treasurer for their fine job of recordkeeping.

We would like to thank the Board for its continued confidence in our firm and to 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.

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CERTIFIED PUBLIC ACCOUNTANTS

July 6, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Reeder Township, Missaukee County
Lake City, Michigan

In planning and performing our audit of the general-purpose financial statements of the Reeder Township, Missaukee County, Lake City, 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 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 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.

Continued

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.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.