Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Summerfield Township	Monroe

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	8/26/05	10/10/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

Certified Public Accountant (Firm Name)			
Taylor & Morgan, PC CPAs			
Street Address	City	State	ZIP
G-2302 Stonebridge Dr, Bldg D	Flint	MI	48532
Accountant Signature		Date	
		10/10/05	

SUMMERFIELD TOWNSHIP

MONROE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Kevin Iott
Supervisor

Tammy Bleashka
Clerk

Joan Wiederhold
Treasurer

Dale Wagenknecht
Trustee

Mark Strahan
Trustee

SUMMERFIELD TOWNSHIP, MONROE COUNTY
TABLE OF CONTENTS

	Page
Financial Section	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet-Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Assets	13
Notes to the Basic Financial Statements	14-20
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	21
Budgetary Comparison Schedule - Road Fund	22
Budgetary Comparison Schedule - Fire Equipment Fund	23
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Funds	24
Combining Statement of Revenues, Expenditires, and Changes in Fund Balance - Nonmajor Funds	25
Statement of Changes in Assets and Liabilities-Agency Funds	26
Other Information	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	27
Comments and Recommendations	28

Independent Auditor's Report

August 26, 2005

Summerfield Township Board
Township Hall
26 Saline Street
Petersburg, MI 49270

Dear Board Members:

We have audited the accompanying combined financial statements of Summerfield Township, Monroe County, Michigan, as of and for the year ended June 30, 2005. These combined financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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. 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 amount 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Summerfield Township, Monroe County, Michigan, at June 30, 2005, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued a report dated August 26, 2005 on our consideration of Summerfield Township's internal control over

financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Summerfield Township, Monroe County, Michigan. The information has been subjected to the procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Sincerely,

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Summerfield Township
Management's Discussion and Analysis

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No. 34

The Township implemented Governmental Accounting Standards Board Statement NO. 34 reporting requirement during the fiscal year that ended on June 30, 2004. GASB 34 reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds.

Financial Highlights

- The Township's Total Net Assets are $2,309,586
- During the year, the Township's expenditures were $ 1,082,216 and $ 754,140 was generated in taxes and other revenues
- Total net assets decreased $147,480 during fiscal year 2005.
- General fund revenues and other sources exceeded expenditures by $(328,076).

Overview of Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Townships operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services are financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statement report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assents and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base.

The government-wide financial statements pf the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as community development and general administration. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant fund – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.

- The Township Board establishes other funds to control and manage money for particular purposes such as the Road and Fire Funds to show that it is properly using taxes collected for both funds.

The Township has two kinds of funds:

- Governmental funds – Most of the Township's basic services are included in the three governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information on the statements or subsequent page that explains the relationship (or differences) between the two sets of statements.
- Fiduciary fund – This accounts for activity in the tax collection fund.

Financial Analysis of the Township as a Whole

Changes in Net assets

The Township's combined net assets are $2,309,586. In comparison, last year's net assets were $2,457,066, a decrease of $147,480.

Governmental Activities

Total revenues increased $24,356 as compared to 2004.

Total expenditures increased $413,764 as compared to 2004, mainly due to increased expenditures in the Road and Fire Governmental Funds.

Financial Analysis of the Township's Funds

As the Township completed the year, its governmental funds reported a combined fund balance of $1,156,960, a decrease of $328,076 over last year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget consisted of a $58,318 decrease in various line items. Revenues were more than expected in state aid. Interest revenue was lower than anticipated due to reduction in anticipated interest rates and Charges for Services were less than budgeted ,however increased $ 28,338 over 2004.

Capital Assets

At the end of June 30, 2005 the Township had invested 1.5 million in capital assets, net of accumulated depreciation. This amount complies with methods for the reporting of capital assets established by the Governmental Accounting Standards Board (GASB).

Economic Factors and Next Year's Budgets and Rates

The State's economy has not improved for the past three years therefore we can anticipate State Shared Revenues to remain flat or decrease by 3-5 %. The Township's general fund tax levy of less then one mill has not increased in over thirty years. With the increase cost in roads and fire department expenses we should consider increasing our millage in the near future. Also Headlee Overides should be considered to restore our millage to the original rates as approved by the Township Voters.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information please contact us at the township hall in Petersburg, Michigan.

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2005

		Governmental Activities
Assets		
Current Assets		
Cash, Cash Equivalents and Investments	$	1,102,756
Due from Other Funds		108,132
Due from Other Governmental Units		39,097
Total Current Assets		1,249,985
Non-Current Assets		
Capital Assets		
Land, Buildings and Equipment		2,014,904
Less: Accumulated Depreciation		(489,737)
Net Capital Assets		1,525,167
Total Non-Current Assets		1,525,167
Total Assets	$	2,775,152
Liabilities		
Current Liabilities		
Accounts Payable	$	93,025
Accrued Interest		8,365
Current Portion of Long-Term Obligations		44,544
Total Current Liabilities		145,934
Non-Current Liabilities		
Non-Current Portion of Long-Term Obligations		319,632
Total Non-Current Liabilities		319,632
Total Liabilities		465,566
Net Assets		
Net Assets		
Invested in Capital Assets, Net of Related Debt		1,344,626
Unrestricted		964,960
Total Net Assets		2,309,586
Total Liabilities and Net Assets	$	2,775,152

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Governmental Activities				
Legislative	6,954			(6,954)
General government	$ 181,534	$ 86,262	$	$ (95,272)
Public Safety	190,507	22,329		(168,178)
Public Works	430,597			(430,597)
Recreation and culture	13,629			(13,629)
Pension expense	11,919			(11,919)
Debt service	17,788			(17,788)
Other	5,071			(5,071)
Unallocated Depreciation	43,621			(43,621)
Total Governmental Activities	$ 901,620	$ 108,591	$ -	(793,029)
General Purpose Revenues				
Property Taxes				365,360
State Grants				224,955
Interest				16,023
Other				39,211
Total General Revenue				645,549
Change in Net Assets				(147,480)
Net Assets - July 1				2,457,066
Net Assets - June 30				$ 2,309,586

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Road Fund	Fire Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 321,037	$ 141,049	$ 382,753	$ 49,088	$ 893,927
Investments	208,829			-	208,829
Due from other funds	108,132	18,791	24,710		151,633
Due from other governmental units	39,097				39,097
Total Assets	$ 677,095	$ 159,840	407,463	49,088	$ 1,293,486
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	$ 162	$ 92,863	$	$	$ 93,025
Due to Other Funds	38,625	4,876			43,501
Total Liabilities	38,787	97,739	-	-	136,526
Fund Balance					
Unreserved					
Undesignated	638,308	62,101	407,463	49,088	1,156,960
Total Fund Balance	638,308	62,101	407,463	49,088	1,156,960
Total Liabilities and Fund Balance	$ 677,095	$ 159,840	$ 407,463	$ 49,088	$ 1,293,486

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances		$ 1,156,960
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 as assets in governmental funds.		
Cost of Net Assets	$ 2,014,904	
Accumulated Depreciation	(489,737)	1,525,167
In the Statement of Net Assets, interest has been accrued on contracts payable as of June 30, 2005		(8,365)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of:		
Contracts payable	$ 364,176	
Total Long-Term Liabilities		(364,176)
Total Net Assets - Governmental Activities		$ 2,309,586

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Road Fund	Fire Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	$ 85,546	$ 93,255	$ 186,559	$	$ 365,360
Licenses and permits	22,329				22,329
State grants	224,955				224,955
Charges for services	86,262				86,262
Interest	10,797	1,366	3,553	307	16,023
Other	28,054		1,732	9,425	39,211
Total Revenues	457,943	94,621	191,844	9,732	754,140
Expenditures					
Legislative	6,954				6,954
General government	185,023			1,206	186,229
Public Safety	203,428		162,269		365,697
Public Works	76,533	354,064			430,597
Recreation and culture	13,629				13,629
Pension expense	11,919				11,919
Debt service	62,120		-		62,120
Other	5,071				5,071
Total Expenditures	564,677	354,064	162,269	1,206	1,082,216
Excess of Revenues over Expenditures	(106,734)	(259,443)	29,575	8,526	(328,076)
Other Financing Sources/(Uses)					
Loan proceeds	-				-
sales of fixed assets	-				-
Total Other Financing Sources/(Uses)	-	-	-	-	-
Net Changes in Fund equity	(106,734)	(259,443)	29,575	8,526	(328,076)
Fund equity - beginning of year	745,042	321,544	377,888	40,562	1,485,036
Fund equity - end of year	$ 638,308	$ 62,101	407,463	49,088	$ 1,156,960

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total Net Change in Fund Balances - Governmental Funds		$ (328,076)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capitalized Assets	$ 179,885	
Depreciation Expense	(43,621)	136,264
Interest on long-term debt in the Statement of Activities includes accrued interest, while the Governmental Funds statement does not. The decrease in accrued interest at June 30, 2005 was $942		942
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. This is the amount of repayments reported as expenditures in the Governmental Funds.		43,390
Change in Net Assets of Governmental Activities		$ (147,480)

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency Funds
Assets:	
Cash and Cash Equivalents	$ 108,132
Liabilities:	
Due to other governmental units	$ -
Due to other funds	108,132
Due to other funds	$ 108,132

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

Summerfield Township is located in the western end of Monroe County and covers an area of 36 square miles. The Township operates under an elected, five-member Board of Trustees which also includes the elected Supervisor, Clerk, Treasurer, and two Trustees, and provides service, including fire protection, road maintenance, and community enrichment and development to its residents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Summerfield Township conform to generally accepted accounting principles as applicable to school Townships. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section to provide an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared with full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Accounting

Basic Financial Statements – Government-wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Township's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

Interfund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most Township functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund- This fund is used to account for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes, State shared revenues, and other intergovernmental revenues. The General Fund accounts for the general operating expenditures which are not recorded elsewhere.

Special Revenue Funds - These funds are used for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations or charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Trust and Agency Funds

These funds account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual -Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual -The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Township receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the

government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Property, Plant and Equipment - Capital expenditures within the operating funds are charged against operations during the year of purchase.

Other Financing Sources (Uses) - The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out).

Budgets - Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Township's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis. Budget vs. actual results were monitored through the year and the budgets were amended prior to fiscal year end.

Cash & Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash or have a maturity date of 90 days or less from the date of purchase. Investments represent certificates of deposit with a maturity of over 90 days and are recorded at cost, which approximates market.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - GENERAL LONG-TERM DEBT

The following is a summary of the Township's debt transactions for the year ended June 30, 2005.

	Contracts Payable	Total
Payable at June 30, 2004	$ 407,566	$ 407,566
Debt Redeemed:		
Monroe County Road Commission	(24,000)	(24,000)
FMIO, Inc. Property	(19,390)	(19,390)
Payable at June 30, 2005	$364,176	$364,176

The FMIO, Inc. Property contract has a 15 year maturity date with interest at 5.95%. Interest on the Monroe County Road Commission debt varies between 3.00% and 4.00%, with annual principal and interest payments through 2013. Total annual requirements to amortize long-

term debt outstanding as of June 30, 2005 including interest payments of $72,845 are as follows:

Year Ending June 30,	
2006	$ 61,418
2007	60,668
2008	59,873
2009	59,033
2010 and thereafter	196,029

In prior fiscal years, the principal and interest payments to Monroe County were recorded as road expenditures. In 2004/05, they were recorded as debt service. Beginning net assets were restated downward $216,000 to reflect this correction.

NOTE D - RECOGNITION OF TAX REVENUE

The Township property tax is levied each December 1, on the state equalized valuation of property located in the Township as of the preceding December 31. The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, and according to generally accepted accounting principles, revenues from the current tax levy are recognized in the current year when the proceeds of this levy are budgeted and made available for the financing of Township operations.

The 2004 taxable valuation of Summerfield Township amounted to $99,820,549, on which ad valorem taxes of .8531 mill were levied for Township operating purposes and 2.7892 mills were levied for special revenue purposes.

NOTE E - INVESTMENTS

Interest Rate Risk

Is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Township's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in bank certificates of deposit.

Concentration of Credit Risk

Is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. Cumulatively, portfolios of the Township may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Township portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Township's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). The Township has no such investments in such issues.

Custodial Credit Risk for Deposits

Is the risk that in the event of a bank failure, the Townships's deposits may not be returned or the Township will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2005, the Township had $902,256 of its deposit balances uninsured and uncollateralized.

Custodial Credit Risk for Investments

Is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township is not subject to this risk, as it has no such investments

Foreign Currency Risk

Is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Township is not authorized to invest in investments that would be subject to this type of risk.

NOTE F - PENSION PLAN

The Township maintains a defined contribution pension plan for its officers and employees. Substantially all employee groups are covered, and 100% vesting is immediate. Contributions are based on a percentage of salary earned. The Township's current year covered payroll and its total current year payroll for all employees amounted to $153,518.

Contributions for the year ending June 30, 2005 totaled $11,919.

NOTE G - INTERFUND PAYABLES/RECEIVABLES

As of June 30, 2005, The Township's interfund payables/receivables were as follows:

Fund	Receivable	Payable
General Fund	$ 108,132	$ 38,625
Agency Fund		108,132
Special Revenue Fund	43,501	4,876
Total	$ 151,633	$ 151,633

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss in conducting its operations, from property and casualty theft and damage to various tort and liability claims. The Township purchases

commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect it from any significant adverse financial impact.

NOTE I – BUILDING FUND

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity with creating a separate fund. Summerfield Township complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended June 30, 2005, are as follows:

Revenues	$21,561
Expenditures	$21,083

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

NOTE J – CHANGES IN CAPITAL ASSETS

Summary of capital asset transactions:

	Balance July 1, 2004	Additions	Balance June 30, 2005
Land, Buildings & Equipment	$1,835,019	$179,885	$2,014,904
Less: Accumulated Depreciation	(446,116)	(43,621)	(489,737)
Net Value	$1,388,903	$136,264	$1,525,167

Additions consisted of a down payment on a new fire truck, equipping the truck, and various equipment. The Township has since taken delivery of the truck and paid the balance, approximately $216,000.

Depreciation expense for the year in the amount of $43,621 was recorded on the statement of activities as unallocated depreciation.

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 87,984	$ 85,532	$ 85,546	$ 14
Licenses & permits	27,000	25,000	22,329	(2,671)
State grants	228,000	205,000	224,955	19,955
Charges for services	56,000	97,500	86,262	(11,238)
Interest	10,000	13,000	10,797	(2,203)
Other	25,000	25,027	28,054	3,027
Total Revenues	433,984	451,059	457,943	6,884
Expenditures				
Legislative				
Township board	8,950	8,450	6,954	1,496
General government				-
Supervisor	17,000	17,800	17,613	187
Treasurer	16,000	14,000	15,423	(1,423)
Clerk	20,000	21,000	20,787	213
Assessing	26,000	26,000	25,343	657
Legal and audit	22,800	11,800	11,523	277
Building and grounds	80,000	50,400	49,841	559
Cemetary	60,000	42,000	41,073	927
Elections	6,000	3,500	3,420	80
Public safety				-
Building inspector	20,000	20,000	21,083	(1,083)
Fire department	130,000	165,000	161,640	3,360
Planning commission	31,000	20,000	19,072	928
Board of appeals		2,000	1,633	367
Public works				-
Roads and drains	135,000	77,000	76,533	467
Recreation and culture				-
Library	8,250	9,250	9,212	38
Recreation	5,050	4,500	4,417	83
Pension expense	8,300	12,000	11,919	81
Debt service	30,788	62,120	62,120	-
Other	5,000	5,000	5,071	(71)
Total Expenditures	630,138	571,820	564,677	7,143
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(196,154)	(120,761)	(106,734)	14,027
Fund equity - beginning of year	745,042	745,042	745,042	-
Fund equity - end of year	$ 548,888	$ 624,281	$ 638,308	$ 14,027

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 87,555	$ 93,203	$ 93,255	$ 52
Licenses & permits				
State grants				
Charges for services				
Interest	1,900	1,350	1,366	16
Other				-
Total Revenues	89,455	94,553	94,621	68
Expenditures				
Public works				
Roads and drains	295,000	355,000	354,064	936
Total Expenditures	295,000	355,000	354,064	936
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(205,545)	(260,447)	(259,443)	1,004
Fund equity - beginning of year	321,544	321,544	321,544	-
Fund equity - end of year	$ 115,999	$ 61,097	$ 62,101	$ 1,004

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHDULE - FIRE EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$ 175,147	$ 186,454	$ 186,559	$ 105
Licenses & permits				
State grants				
Charges for services				
Interest	2,000	3,100	3,553	453
Other			1,732	1,732
Total Revenues	177,147	189,554	191,844	2,290
Expenditures				
Public safety				
Fire department	350,000	165,000	162,269	2,731
Debt service				-
Total Expenditures	350,000	165,000	162,269	2,731
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(172,853)	24,554	29,575	5,021
Fund equity - beginning of year	377,888	377,888	377,888	-
Fund equity - end of year	$ 205,035	$ 402,442	$ 407,463	$ 5,021

SUMMERFIELD TOWNSHIP
NONMAJOR FUND BALANCE SHEET
JUNE 30, 2005

Assets		Cemetary Improvement Fund		Total (Memorandum Only) June 30, 2005
Cash and cash equivalents	$	49,088	$	49,088
Investments				-
Total Assets	$	49,088	$	49,088
Liabilities & Fund Equity				
Fund Equity:	$		$	
Unreserved		49,088		49,088
Total Liabilities & Fund Equity	$	49,088	$	49,088

SUMMERFIELD TOWNSHIP
NONMAJOR FUND STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Cemetary Improvement Fund	Total (Memorandum Only) June 30, 2005
Revenues:		
Lot sales	$ 9,425	$ 9,425
Interest	307	307
Other		-
Total Revenues	9,732	9,732
Expenditures	1,206	1,206
Excess of revenues over/ under expenditures	8,526	8,526
Fund equity - beginning of year	40,562	40,562
Fund equity - end of year	$ 49,088	$ 49,088

SUMMERFIELD TOWNSHIP, MONROE COUNTY
OTHER SUPPLEMENTAL INFORMATION
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and Cash Equivalents	$ 101,826	$ 1,599,723	$ 1,593,417	$ 108,132
Liabilities				
Due to:				
Other funds	$ 101,774	$ 108,132	$ 101,774	$ 108,132
Other governmental units	52	1,491,591	1,491,643	-
	$ 101,826	$ 1,599,723	$ 1,593,417	$ 108,132

Taylor & Morgan

Certified Public Accountants

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

August 26, 2005

To the Township Board
Summerfield Township

We have audited the financial statements of Summerfield Township as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Summerfield Township's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Summerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the members of the board of Summerfield Township.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

G-2302 STONEBRIDGE DRIVE, BUILDING D, FLINT, MICHIGAN 48532
(810) 230-8200 FAX # (810) 230-8203

Summerfield Township
Report of Comments and Recommendations
June 30, 2005

Although our examination disclosed no material weaknesses in the internal control structure of Summerfield Township, the following are areas where further review and/or improvements may be made.

Disbursements

Currently, all general fund check disbursements require two signatures. This control procedure helps ensure township funds are used only for approved and proper purposes. However, other accounts, such as the fire and road millage checking accounts, do not have a two-signature requirement.

We recommend the Township close the checking accounts for the fire and road millage accounts. They should be replaced with an interest bearing bank account that permits transfer to the Township general fund account. Any disbursements for fire or road millage purposes would be made from the general fund account, and first funded by a transfer.