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

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Sidney	Montcalm

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	June 7, 2004	June 7, 2004

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

We affirm that:

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

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

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You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

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

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

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

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

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

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

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

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

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

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

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JUN 14 2004
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TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 7, 2004

To the Township Board
Township of Sidney
Montcalm County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sidney, Montcalm County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Sidney's management. 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. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Sidney, Montcalm County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

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

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Trust and Agency	General Fixed Assets	
Assets				
Cash in bank	421 514 48	4 92	-	421 519 40
Taxes receivable	8 157 91	-	-	8 157 91
Due from other funds	4 92	-	-	4 92
Special assessments receivable	30 499 78	-	-	30 499 78
Land	-	-	71 270 63	71 270 63
Buildings	-	-	79 330 00	79 330 00
Equipment	-	-	29 640 53	29 640 53
Total Assets	460 177 09	4 92	180 241 16	640 423 17
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	4 92	-	4 92
Deferred revenue	30 499 78	-	-	30 499 78
Total liabilities	30 499 78	4 92	-	30 504 70
Fund equity:				
Investment in general fixed assets	-	-	180 241 16	180 241 16
Fund balances:				
Unreserved:				
Undesignated	429 677 31	-	-	429 677 31
Total fund equity	429 677 31	-	180 241 16	609 918 47
Total Liabilities and Fund Equity	460 177 09	4 92	180 241 16	640 423 17

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

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B
Page 1

Year Ended March 31, 2004

	Governmental Fund Type
	General
Revenues:	
Property taxes	41 292 16
Special assessments	22 898 70
Licenses and permits	2 879 00
State revenue sharing	167 636 20
Charges for services:	
Property tax administration	14 685 45
Interest	7 520 43
Miscellaneous	3 339 63
Total revenues	260 251 57
Expenditures:	
Legislative:	
Township Board	29 257 42
General government:	
Supervisor	5 541 00
Assessor	18 679 26
Clerk	7 701 33
Board of Review	628 40
Treasurer	10 197 08
Building and grounds	4 676 30
Cemetery	2 992 55
Public safety:	
Police protection	19 340 33
Liquor law enforcement	650 00
Fire protection	21 000 00
Planning and zoning	5 365 71
Public works:	
Highways and streets	250 934 68
Drains	1 052 42
Recreation and culture:	
Parks and recreation	9 731 79
Other functions:	
Payroll taxes	1 912 50
Capital outlay	12 186 71

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

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 2

	Governmental Fund Type
	General
Total expenditures	401 847 48
Excess (deficiency) of revenues over expenditures	(141 595 91)
Fund balance, April 1	571 273 22
Fund Balance, March 31	429 677 31

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

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C

Year Ended March 31, 2004

Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	43 740 16	41 292 16	(2 448 00)
Special assessments	-	22 898 70	22 898 70
Licenses and permits	1 788 00	2 879 00	1 091 00
State revenue sharing	175 600 60	167 636 20	(7 964 40)
Charges for services:			
Property tax administration	12 893 82	14 685 45	1 791 63
Interest	10 000 00	7 520 43	(2 479 57)
Miscellaneous	-	3 339 63	3 339 63
Total revenues	244 022 58	260 251 57	16 228 99
Expenditures:			
Legislative:			
Township Board	49 000 00	29 257 42	(19 742 58)
General government:			
Supervisor	6 500 00	5 541 00	(959 00)
Elections	8 000 00	-	(8 000 00)
Assessor	25 000 00	18 679 26	(6 320 74)
Clerk	10 000 00	7 701 33	(2 298 67)
Board of Review	1 500 00	628 40	(871 60)
Treasurer	13 000 00	10 197 08	(2 802 92)
Building and grounds	20 000 00	4 676 30	(15 323 70)
Cemetery	15 000 00	2 992 55	(12 007 45)
Public safety:			
Police protection	40 000 00	19 340 33	(20 659 67)
Liquor law enforcement	650 00	650 00	-
Fire protection	30 000 00	21 000 00	(9 000 00)
Planning and zoning	11 000 00	5 365 71	(5 634 29)
Public works:			
Highways and streets	251 000 00	250 934 68	(65 32)
Drains	5 000 00	1 052 42	(3 947 58)
Recreation and culture:			
Parks and recreation	17 500 00	9 731 79	(7 768 21)
Other functions:			
Payroll taxes	5 000 00	1 912 50	(3 087 50)
Capital outlay	-	12 186 71	12 186 71

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

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C
Page 2

Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Total expenditures	508 150 00	401 847 48	(106 302 52)
Excess (deficiency) of revenues over expenditures	(264 127 42)	(141 595 91)	122 531 51
Fund balance, April 1	564 615 99	571 273 22	6 657 23
Fund Balance, March 31	300 488 57	429 677 31	129 188 74

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

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sidney. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is 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, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage was .8221 mills, and the taxable value was $50,275,581.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

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

	Carrying Amounts
Total Deposits	421 519 40

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

	Bank Balances
Insured (FDIC)	157 036 67
Uninsured and Uncollateralized	265 251 52
Total Deposits	422 288 19

The Township of Sidney did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	59 678 92	11 591 71	-	71 270 63
Buildings	79 330 00	-	-	79 330 00
Equipment	29 045 53	595 00	-	29 640 53
Totals	168 054 45	12 186 71	-	180 241 16

Note 4 – Interfund Receivables and Payables

As of March 31, 2004, the Township had the following interfund receivables and payables:

Fund	Interfund Receivable	Fund	Interfund Payable
General	4 92	Current Tax Collection	4 92
Total	4 92	Total	4 92

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Sidney does not issue building permits. Building permits are issued by the County of Montcalm.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	4 425 00
Professional services	13 441 75
Memberships and dues	2 309 03
Insurance	4 384 00
Printing	533 40
Supplies	3 541 41
Telephone	546 83
Miscellaneous	76 00
	29 257 42
Supervisor:	
Salary	5 541 00
Assessor:	
Contracted services	18 276 00
Supplies	403 26
	18 679 26
Clerk:	
Salary – Clerk	7 484 00
Supplies	217 33
	7 701 33
Board of Review:	
Wages	588 00
Miscellaneous	40 40
	628 40
Treasurer:	
Salary – Treasurer	10 157 89
Supplies	39 19
	10 197 08
Building and grounds:	
Wages	900 00
Contracted services	1 422 50
Utilities	1 742 36
Supplies	254 19
Repairs and maintenance	357 25
	4 676 30

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Cemetery:	
Contracted services	2 495 00
Utilities	104 55
Miscellaneous	393 00
	2 992 55
Police protection:	
Contracted services	19 340 33
Liquor law enforcement:	
Wages	650 00
Fire protection:	
Contracted services	21 000 00
Planning and zoning:	
Contracted services	4 339 00
Miscellaneous	1 026 71
	5 365 71
Highways and streets:	
Contracted services	249 568 37
Street lights	1 366 31
	250 934 68
Drains:	
Contracted services	1 052 42
Parks and recreation:	
Contracted services	3 098 75
Utilities	231 00
Repairs and maintenance	75 39
Supplies	5 058 15
Miscellaneous	1 268 50
	9 731 79
Payroll taxes	1 912 50
Capital outlay	12 186 71
Total Expenditures	401 847 48

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in Bank	-	1 359 294 14	1 359 289 22	4 92
Liabilities				
Due to General Fund	-	67 854 64	67 849 72	4 92
Due to other units	-	1 291 439 50	1 291 439 50	-
Total Liabilities	-	1 359 294 14	1 359 289 22	4 92

TOWNSHIP OF SIDNEY
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	-
Receipts:	
Property taxes	1 345 861 21
Administration fees	13 258 88
Interest	174 05
Total receipts	1 359 294 14
Total beginning balance and cash receipts	1 359 294 14
Disbursements:	
Township General Fund	67 849 72
Montcalm County	492 918 46
Montcalm Area Intermediate School District	170 129 20
Central Montcalm School District	476 621 19
Greenville Public School	22 913 90
Montcalm Community College	122 400 83
Refunds	6 455 92
Total disbursements	1 359 289 22
Cash in Bank – End of Year	4 92

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

RECEIVED
DEPT. OF TREASURY
JUN 14 2004
LOCAL AUDIT & FINANCE DIV.

June 7, 2004

To the Township Board
Township of Sidney
Montcalm County, Michigan

We have audited the financial statements of the Township of Sidney, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sidney in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Sidney
Montcalm County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Sidney
Montcalm County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Sidney will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants