62-1720

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

RECEIVED
DEPT. OF TREASURY
AUG - 6 2004
LOCAL AUDIT & FINANCE DIV.

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

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 Sherman	Newaygo

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	July 12, 2004	July 12, 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.

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We affirm that:

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

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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

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

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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INDEPENDENT AUDITOR'S REPORT

July 12, 2004

To the Township Board
Township of Sherman
Newaygo County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sherman, Newaygo 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 Sherman'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 Sherman, Newaygo 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 Sherman, Newaygo 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 SHERMAN
Newaygo County, Michigan

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

EXHIBIT A

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets			
Cash in bank	5 063 96	6 096 62	205 221 55
Investments	53 179 09	36 326 81	-
Taxes receivable	6 156 67	-	-
Due from other funds	5 375 59	-	-
Land and improvements	-	-	-
Buildings and improvements	-	-	-
Furniture and equipment	-	-	-
Total Assets	69 775 31	42 423 43	205 221 55
Liabilities and Fund Equity			
Liabilities:			
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	69 775 31	42 423 43	205 221 55
Total fund equity	69 775 31	42 423 43	205 221 55
Total Liabilities and Fund Equity	69 775 31	42 423 43	205 221 55

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

Fiduciary Fund Type	Account Group	Total (Memorandum Only)
Agency	General Fixed Assets	
1 870 26	-	218 252 39
3 505 33	-	93 011 23
-	-	6 156 67
-	-	5 375 59
-	4 768 00	4 768 00
-	27 773 00	27 773 00
-	15 076 07	15 076 07
5 375 59	47 617 07	370 412 95
5 375 59	-	5 375 59
5 375 59	-	5 375 59
-	47 617 07	47 617 07
-	-	317 420 29
-	47 617 07	365 037 36
5 375 59	47 617 07	370 412 95

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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

Year Ended March 31, 2004

EXHIBIT B
Page 1

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Property taxes	36 617 61	-	-	36 617 61
Licenses and permits	6 555 00	-	-	6 555 00
State revenue sharing	154 568 00	-	-	154 568 00
Charges for services:				
Cemetery	-	9 385 20	-	9 385 20
Fire	8 401 13	-	-	8 401 13
Property tax administration	14 792 18	-	-	14 792 18
Interest	383 51	80 87	4 035 51	4 499 89
Rents	450 00	-	-	450 00
Special assessments	30 273 06	-	-	30 273 06
Miscellaneous	10 139 70	1 254 30	-	11 394 00
Total revenues	262 180 19	10 720 37	4 035 51	276 936 07
Expenditures:				
Legislative				
Township Board	43 048 03	-	-	43 048 03
General government:				
Supervisor	8 382 55	-	-	8 382 55
Elections	624 00	-	-	624 00
Assessor	13 495 58	-	-	13 495 58
Clerk	7 294 37	-	-	7 294 37
Board of Review	1 371 19	-	-	1 371 19
Treasurer	18 250 38	-	-	18 250 38
Building and grounds	4 412 95	-	-	4 412 95
Cemetery	-	9 040 27	-	9 040 27
Public safety:				
Fire protection	49 011 00	-	-	49 011 00
Protective inspection	4 600 00	-	-	4 600 00
Zoning	14 284 96	-	-	14 284 96
Public works:				
Highways and streets	-	63 534 28	-	63 534 28
Culture and recreation:				
Parks and recreation	1 908 63	-	-	1 908 63
Capital outlay	1 295 36	-	-	1 295 36

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

TOWNSHIP OF SHERMAN
Newaygo 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 Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Total expenditures	167 979 00	72 574 55	-	240 553 55
Excess (deficiency) of revenues over expenditures	94 201 19	(61 854 18)	4 035 51	36 382 52
Other financing sources (uses):				
Operating transfers in	-	40 000 00	38 000 00	78 000 00
Operating transfers out	(78 000 00)	-	-	(78 000 00)
Total other financing sources (uses)	(78 000 00)	40 000 00	38 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	16 201 19	(21 854 18)	42 035 51	36 382 52
Fund balances, April 1	53 574 12	64 277 61	163 186 04	281 037 77
Fund Balances, March 31	69 775 31	42 423 43	205 221 55	317 420 29

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

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	66 600 00	36 617 61	(29 982 39)
Licenses and permits	7 400 00	6 555 00	(845 00)
State revenue sharing	155 000 00	154 568 00	(432 00)
Charges for services:			
Cemetery	-	-	-
Fire	-	8 401 13	8 401 13
Property tax administration	-	14 792 18	14 792 18
Interest	200 00	383 51	183 51
Rents	500 00	450 00	(50 00)
Special assessments	-	30 273 06	30 273 06
Miscellaneous	17 500 00	10 139 70	(7 360 30)
Total revenues	247 200 00	262 180 19	14 980 19
Expenditures:			
Legislative:			
Township Board	45 750 00	43 048 03	(2 701 97)
General government:			
Supervisor	7 900 00	8 382 55	482 55
Elections	650 00	624 00	(26 00)
Assessor	11 100 00	13 495 58	2 395 58
Clerk	6 600 00	7 294 37	694 37
Board of Review	1 300 00	1 371 19	71 19
Treasurer	14 500 00	18 250 38	3 750 38
Building and grounds	4 500 00	4 412 95	(87 05)
Cemetery	-	-	-
Public safety:			
Fire protection	49 100 00	49 011 00	(89 00)
Protective inspection	4 600 00	4 600 00	-
Zoning	13 600 00	14 284 96	684 96
Public works:			
Highways and streets	-	-	-
Culture and recreation:			
Parks and recreation	1 900 00	1 908 63	8 63
Capital outlay	2 000 00	1 295 36	(704 64)

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

Special Revenue Funds		
Budget	Actual	Over (Under) Budget
-	-	-
-	-	-
-	-	-
9 300 00	9 385 20	85 20
-	-	-
-	-	-
-	80 87	80 87
-	-	-
-	-	-
-	1 254 30	1 254 30
9 300 00	10 720 37	1 420 37
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
9 100 00	9 040 27	(59 73)
-	-	-
-	-	-
-	-	-
64 000 00	63 534 28	(465 72)
-	-	-
-	-	-

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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

Year Ended March 31, 2004

EXHIBIT C
Page 2

	General Fund		
	Budget	Actual	Over (Under) Budget
Total expenditures	163 500 00	167 979 00	4 479 00
Excess (deficiency) of revenues over expenditures	83 700 00	94 201 19	10 501 19
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(78 000 00)	(78 000 00)	-
Total other financing sources (uses)	(78 000 00)	(78 000 00)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	5 700 00	16 201 19	10 501 19
Fund balances, April 1	34 402 17	53 574 12	19 171 95
Fund Balances, March 31	40 102 17	69 775 31	29 673 14

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

Special Revenue Funds		
Budget	Actual	Over (Under) Budget
73 100 00	72 574 55	(525 45)
(63 800 00)	(61 854 18)	1 945 82
40 000 00	40 000 00	-
-	-	-
40 000 00	40 000 00	-
(23 800 00)	(21 854 18)	1 945 82
63 964 55	64 277 61	313 06
40 164 55	42 423 43	2 258 88

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sherman, Newaygo 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 Sherman. 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:

General Fund

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

Special Revenue Funds

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

Capital Projects Fund

This fund is used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

Fiduciary Funds

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

Note 1 – Summary of Significant Accounting Policies (continued)

Account Group

General Fixed Assets Account Group

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

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 2003 Township tax roll millage rate was .8546 mills, and the taxable value was $42,870,920.00.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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)

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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

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

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

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

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

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.

Note 2 – Deposits and Investments (continued)

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.

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	218 252 39

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

	Bank Balances
Insured (FDIC)	129 720 39
Uninsured and Uncollateralized	89 649 63
Total Deposits	219 370 02

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

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

Note 2 – Deposits and Investments (continued)

Investment Type	(1)	(2)	(3)	Carrying Amount
Risk-Categorized	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				93 011 23
Total Investments				93 011 23

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

Note 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 and land improvements	4 393 00	375 00	-	4 768 00
Buildings and improvements	27 773 00	-	-	27 773 00
Furniture and equipment	14 155 71	920 36	-	15 076 07
Totals	46 321 71	1 295 36	-	47 617 07

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	5 375 59	Current Tax Collection	5 375 59

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full time employees. During the year ended March 31, 2004, the Township contributed $6,995.11 to the 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 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

Fund	Transfers In	Fund	Transfers Out
Capital Projects	38 000 00	General	38 000 00
Road	40 000 00	General	40 000 00
Total	78 000 00	Total	78 000 00

Note 9 – Contingent Liability

In November, 1978, the Township of Sherman and the City of White Cloud, Newaygo County, entered into an agreement with the County of Newaygo for the construction of a sanitary sewage disposal system. Construction of the system was financed by the issuance of $1,605,000 County of Newaygo bonds, which principal and interest is to be paid by the White Cloud/Sherman Utilities Authority through the collection of individual user charges and/or an ad valorem tax levy. The bonds are contractually secured primarily by the full faith and credit of the Township and the City, based on a pro-rata allocation. Therefore, should collections of user charges or taxes be insufficient to repay the debt obligation, the Township and City would be responsible for repayment of the deficient amount. The Township's pro-rata share of the full faith and credit security was estimated to be approximately 75%. The Township anticipates the user charges and taxes will be sufficient to repay the debt obligation.

Note 10 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
General Fund:			
Activity:			
Supervisor	7 900 00	8 382 55	482 55
Assessor	11 100 00	13 495 58	2 395 58
Clerk	6 600 00	7 294 37	694 37
Board of Review	1 300 00	1 371 19	71 19
Treasurer	14 500 00	18 250 38	3 750 38
Zoning	13 600 00	14 284 96	684 96
Parks and recreation	1 900 00	1 908 63	8 63

Note 11 – Building Permits

As of March 31, 2004, the Township had building permit revenues of $4,380.00 and building permit expenses of $4,600.00.

Note 12 – 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 SHERMAN
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT D
March 31, 2004

	Cemetery	Road	Total
Assets			
Cash in bank	5 096 62	1 000 00	6 096 62
Investments	-	36 326 81	36 326 81
Total Assets	5 096 62	37 326 81	42 423 43
Fund Balances			
Fund balances:			
Unreserved:			
Undesignated	5 096 62	37 326 81	42 423 43
Total Fund Balances	5 096 62	37 326 81	42 423 43

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT E
Year Ended March 31, 2004

	Cemetery	Road	Total
Revenues:			
Charges for services	9 385 20	-	9 385 20
Interest	-	80 87	80 87
Miscellaneous	-	1 254 30	1 254 30
Total revenues	9 385 20	1 335 17	10 720 37
Expenditures:			
Cemetery:			
Wages	7 761 46	-	7 761 46
Supplies	431 74	-	431 74
Utilities	284 07	-	284 07
Repairs and maintenance	563 00	-	563 00
Highways and streets:			
Repairs and maintenance	-	63 534 28	63 534 28
Total expenditures	9 040 27	63 534 28	72 574 55
Excess (deficiency) of revenues over expenditures	344 93	(62 199 11)	(61 854 18)
Other financing sources:			
Operating transfers in	-	40 000 00	40 000 00
Excess (deficiency) of revenues and other sources over expenditures	344 93	(22 199 11)	(21 854 18)
Fund balances, April 1	4 751 69	59 525 92	64 277 61
Fund Balances, March 31	5 096 62	37 326 81	42 423 43

TOWNSHIP OF SHERMAN
Newaygo County, Michigan

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

EXHIBIT F

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in Bank and Investments	5 245 26	1 455 044 86	1 454 914 53	5 375 59
Liabilities				
Due to other funds	5 245 26	74 611 30	74 480 97	5 375 59
Due to others	-	1 380 433 56	1 380 433 56	-
Total Liabilities	5 245 26	1 455 044 86	1 454 914 53	5 375 59

CAMPBELL, KUSTERER & CO., P.C.

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LOCAL AUDIT & FINANCE DIV.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 12, 2004

To the Township Board
Township of Sherman
Newago County, Michigan

We have audited the financial statements of the Township of Sherman, 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 Sherman 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.

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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.

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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 Sherman 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