# PRESQUE ISLE TOWNSHIP
# PRESQUE ISLE COUNTY, MICHIGAN

Financial Statements
Year Ended June 30, 2004

**STRALEY, ILSLEY & LAMP P.C.**

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 | PRESQUE ISLE TOWNSHIP | PRESQUE ISLE |

| Audit Date | Opinion Date | Date Accountant Report Submitted to State: |
|---|---|---|
| JUNE 30, 2004 | DECEMBER 20, 2004 | DECEMBER 30, 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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

| Certified Public Accountant (Firm Name) | | | |
|---|---|---|---|
| STRALEY, ILSLEY & LAMP P.C. | | | |
| Street Address: 2106 US 23 SOUTH; P.O. BOX 738 | City: ALPENA | State: MI | ZIP: 49707 |
| Accountant Signature: Mark L Straley, CPA | | Date: 12/29/04 | |

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June 30, 2004


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# INDEPENDENT AUDITOR'S REPORT

To the Municipal Council
Presque Isle Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Presque Isle Township, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Presque Isle Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Presque Isle Township, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments,* as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Presque Isle Township, Michigan's basic financial statements. The accompanying combining and individual financial statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The combining and individual financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Straley, Ilsley & Lamp P.C.*

December 20, 2004

## Presque Isle Township
## Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

This is the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis (MD&A). However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, due to the financial resources necessary to prepare the comparative information for the prior year; the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Presque Isle Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements  Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary information for General Fund, and
Special Revenue Funds

Other Supplemental Information

Individual Fund Statements

## Reporting the Township as a Whole – Government-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information about the Township as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the Township's assets 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.

These two statements report the Township's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our taxpayers, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided to assess the overall health of the Presque Isle Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, recreation and culture and debt service. Property taxes, and state revenue sharing finance most of these activities.

## Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township may establish other funds to help it control and manage money for a particular purpose (the Road Special Assessment Funds, Planning and Long-Range Recreation funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the Township use the following accounting approach:

Governmental Funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

## The Township as Trustee – Reporting the Township's Fiduciary Responsibilities

The Township is a trustee, or fiduciary, for its collection of taxes. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the Township's other financial statement because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### The Township as a Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of June 30, 2004:

**TABLE 1**

**PRESQUE ISLE TOWNSHIP'S, Net Assets**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| | 2004 | 2004 | 2004 |
| Current and other assets | $ 2,041,127 | $ 49,317 | $ 2,090,444 |
| Capital assets | 594,172 | 318,551 | 912,723 |
| Total assets | 2,635,299 | 367,868 | 3,003,167 |
| Current liabilities | 21,547 | - | 21,547 |
| Noncurrent liabilities | 755,860 | - | 755,860 |
| Total liabilities | 777,407 | - | 777,407 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 593,310 | 318,551 | 911,861 |
| Restricted | 999,056 | - | 999,056 |
| Unrestricted | 265,526 | 49,317 | 314,843 |
| Total net assets | $ 1,857,892 | $ 367,868 | $ 2,225,760 |

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were $2,225,760 at June 30, 2004. Capital assets, net of related debt totals $911,861 and compares the original cost, less deprecation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets $999,056 is restricted for specific purposes while the balance of $314,843 was unrestricted.

The $265,526 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Township to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Township has prepared financial statements following GASB statement No. 34, a revenue and expense comparison to fiscal year 2003 is not available.

**TABLE 2**

**PRESQUE ISLE TOWNSHIP'S, Changes in Net Assets**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| | 2004 | 2004 | 2004 |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | $ 336,769 | $ 18,675 | $ 355,444 |
| Operating grants and contributions | - | 8,200 | 8,200 |
| General revenues: | | | |
| Property taxes | 375,778 | - | 375,778 |
| Other | 124,609 | 336 | 124,945 |
| Total revenues | 837,156 | 27,211 | 864,367 |
| Expenses: | | | |
| General government | 189,627 | - | 189,627 |
| Public safety | 226,093 | - | 226,093 |
| Public works | 9,683 | - | 9,683 |
| Parks and recreation | 7,410 | - | 7,410 |
| Other | 20,416 | - | 20,416 |
| Interest on long-term debt | 46,978 | - | 46,978 |
| Park | - | 26,585 | 26,585 |
| Total expenses | 500,207 | 26,585 | 526,792 |
| Change in net assets | 336,949 | 626 | 337,575 |
| Net assets - beginning | 1,520,943 | 367,242 | 1,888,185 |
| Net assets - end | $ 1,857,892 | $ 367,868 | $ 2,225,760 |

As reported in the statement of activities, the cost of all of our *governmental* activities this year was $526,792. Certain activities were partially funded from those who benefited from the programs ($355,444) or by other governments and organizations that subsidized certain programs with grants and contributions ($8,200). We paid for the remaining "public benefit" portion of our governmental activities with $375,778 in taxes, $118,217 in state revenue sharing and $6,392 with our other revenues (i.e., interest and other general revenue).

The Township experienced an increase in net assets of $337,575. Key reasons for the change in net assets included payment of long term debt obligations of $174,718 a net increase from fund operations of $116,348.

As discussed above, the net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the majority of Township operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

## Business-Type Activities

The Township's business-type activities consist of the operation and maintenance of the Old Lighthouse Park. During the year ended June 30, 2004 the park experienced an increase in net assets of $627 and ended the year with Total Net Assets of $367,868.

## The Township's Funds

As we noted earlier, the Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide and may provide more insight into the Township's overall financial health. As the Township completed this year, the governmental funds reported a combined fund balance of $1,101,426 which is an increase of $116,348 from last year. The General Fund balance available to fund general operations costs for services remains stable at $255,401.

## General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. (A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

## Capital Assets and Debt Administration

### *Capital Assets*

At June 30, 2004, the Township had $584,172 invested in capital assets, including land, land improvements, buildings and improvements, and office equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately $7,745 from last year.

**TABLE 3**

**PRESQUE ISLE TOWNSHIP'S, Capital Assets**

| | 2004 | 2003 |
|---|---|---|
| Land | $ 212,300 | $ 212,300 |
| Land Improvements | 134,530 | 134,530 |
| Buildings | 314,340 | 314,340 |
| Building Improvements | 37,352 | 37,352 |
| Office Equipment | 18,138 | 7,787 |
| Total Capital Assets | $ 716,660 | $ 706,309 |
| Less Accumulated Depreciation | 122,488 | 104,392 |
| Net Capital Assets | $ 594,172 | $ 601,917 |

This year's additions of $10,351 included office equipment. No new debt was issued for these additions.

### *Debt*

At the end of this year, the Township had $755,000 in outstanding bonded debt and an additional bank installment loan of $860. During the year ended June 30, 2004 the Township was able to reduce its long term debt obligation by $174,718.

More detailed information about our long-term liabilities is contained in the notes to the financial statements.

## Economic Factors and Next Year's Budgets and Rates

Our Township Board and administration consider many factors when setting the Township's 2004-05 fiscal year budget. The 2004-05 fiscal year budget was adopted in June 2004 based on property tax, and state revenue estimates available at that time.

## Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Township Clerk, 12653 East Grand Lake Road, Presque Isle, Michigan 49777.

Presque Isle Township

## STATEMENT OF NET ASSETS

June 30, 2004

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,021,549 | $ 49,317 | $ 1,070,866 |
| Receivables (net of allowance for uncollectible accounts) | 979,578 | - | 979,578 |
| Prepaid items | 40,000 | - | 40,000 |
| Capital assets | 716,660 | 343,850 | 1,060,510 |
| Accumulated depreciation | (122,488) | (25,299) | (147,787) |
| Total assets | 2,635,299 | 367,868 | 3,003,167 |
| **LIABILITIES** | | | |
| Accounts payable | 1,736 | - | 1,736 |
| Accrued interest payable | 6,615 | - | 6,615 |
| Due to other governmental units | 13,196 | - | 13,196 |
| Noncurrent liabilities | | | |
| Due within one year | | | |
| Bonds and loans | 150,860 | - | 150,860 |
| Due in more than one year | | | |
| Bonds and loans | 605,000 | - | 605,000 |
| Total liabilities | 777,407 | - | 777,407 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 593,310 | 318,551 | 911,861 |
| Restricted for: | | | |
| Road Improvements | 847,951 | - | 847,951 |
| Capital outlay | 151,105 | - | 151,105 |
| Unrestricted | 265,526 | 49,317 | 314,843 |
| Total net assets | $ 1,857,892 | $ 367,868 | $ 2,225,760 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

| Functions/Programs: | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Governmental activities: | | | | |
| General government | $ 189,627 | $ 5,661 | $ - | $ - |
| Public safety | 226,093 | - | - | - |
| Public works | 9,683 | 265,654 | - | - |
| Parks and recreation | 7,410 | 65,454 | - | - |
| Other | 20,416 | - | - | - |
| Interest on long-term debt | 46,978 | - | - | - |
| Total governmental activities | 500,207 | 336,769 | - | - |
| Business-type activities: | | | | |
| Park | 26,585 | 18,675 | 8,200 | - |
| Total business-type activities | 26,585 | 18,675 | 8,200 | - |
| Total primary government | $ 526,792 | $ 355,444 | $ 8,200 | $ - |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | |
| State sales tax | | | | |
| Investment earnings | | | | |
| Total general revenues | | | | |
| Change in net assets | | | | |
| Net assets - beginning of the year | | | | |
| Net assets - end of the year | | | | |

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| $ (183,966) | $ - | $ (183,966) |
| (226,093) | - | (226,093) |
| 255,971 | - | 255,971 |
| 58,044 | - | 58,044 |
| (20,416) | - | (20,416) |
| (46,978) | - | (46,978) |
| (163,438) | - | (163,438) |
| - | 290 | 290 |
| - | 290 | 290 |
| $ (163,438) | $ 290 | $ (163,148) |
| 375,778 | - | 375,778 |
| 118,217 | - | 118,217 |
| 6,392 | 336 | 6,728 |
| 500,387 | 336 | 500,723 |
| 336,949 | 626 | 337,575 |
| 1,520,943 | 367,242 | 1,888,185 |
| $ 1,857,892 | $ 367,868 | $ 2,225,760 |

See accompanying notes to financial statements.

Presque Isle Township

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

| | General Fund | Presque Isle Township Fire #2 | East Grand Lake Fire Department |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 248,915 | $ - | $ - |
| Taxes receivable | 8,222 | 7,345 | 5,851 |
| Special assessments receivable | - | - | - |
| Prepaid items | - | - | - |
| Total assets | $ 257,137 | $ 7,345 | $ 5,851 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 1,736 | $ - | $ - |
| Due to other governmental units | - | 7,345 | 5,851 |
| Deferred revenue | - | - | - |
| Total liabilities | 1,736 | 7,345 | 5,851 |
| Fund Balances: | | | |
| Restricted for: | | | |
| Road Improvements | - | - | - |
| Capital outlay | - | - | - |
| Unrestricted | 255,401 | - | - |
| Total fund balances | 255,401 | - | - |
| Total liabilities and fund balances | $ 257,137 | $ 7,345 | $ 5,851 |

| Road Assessments P.I.H.A. | Road Assessments Esau Heights | Road Assessments Parallel Road | Road Assessments P.I.H.A. | Long-Range Recreation |
|---|---|---|---|---|
| $ 423,997 | $ 33,479 | $ 10,190 | $ - | $ 102,385 |
| 30,105 | 1,289 | - | - | - |
| 635,956 | 52,426 | 197,379 | - | - |
| - | - | - | - | - |
| $ 1,090,058 | $ 87,194 | $ 207,569 | $ - | $ 102,385 |
| | | | | |
| $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - |
| 635,956 | 52,426 | 197,379 | - | - |
| 635,956 | 52,426 | 197,379 | - | - |
| | | | | |
| 454,102 | 34,768 | 10,190 | - | - |
| - | - | - | - | 102,385 |
| - | - | - | - | - |
| 454,102 | 34,768 | 10,190 | - | 102,385 |
| $ 1,090,058 | $ 87,194 | $ 207,569 | $ - | $ 102,385 |

See accompanying notes to financial statements.

Presque Isle Township

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

| | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 202,583 | $ 1,021,549 |
| Taxes receivable | 1,997 | 54,809 |
| Special assessments receivable | 39,008 | 924,769 |
| Prepaid items | 40,000 | 40,000 |
| Total assets | $ 283,588 | $ 2,041,127 |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Accounts payable | $ - | $ 1,736 |
| Due to other governmental units | - | 13,196 |
| Deferred revenue | 39,008 | 924,769 |
| Total liabilities | 39,008 | 939,701 |
| Fund Balances: | | |
| Restricted for: | | |
| Road Improvements | 185,735 | 684,795 |
| Capital outlay | 48,720 | 151,105 |
| Unrestricted | 10,125 | 265,526 |
| Total fund balances | 244,580 | 1,101,426 |
| Total liabilities and fund balances | $ 283,588 | $ 2,041,127 |

See accompanying notes to financial statements.

Presque Isle Township

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS

As of June 30, 2004

| | | |
|---|---|---|
| Fund balances - Total governmental funds | | $ 1,101,426 |
| 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 not reported in the governmental funds. | | |
| Governmental capital assets | $ 716,660 | |
| Less accumulated depreciation | (122,488) | 594,172 |
| Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets. | | |
| Deferred revenue | | 924,769 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Installment loan, Township Hall Renovation | (860) | |
| Bonds payable | (755,000) | |
| Accrued interest payable | (6,615) | (762,475) |
| Net Assets of Governmental Activities | | $ 1,857,892 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

June 30, 2004

| | General Fund | Presque Isle Township Fire #2 | East Grand Lake Fire Department |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ 165,532 | $ 97,993 | $ 112,253 |
| Special assessments | - | - | - |
| State revenue | 112,882 | - | - |
| Local grant revenue | - | - | - |
| Investment income and rents | 2,773 | 30 | 40 |
| Donations | - | - | - |
| Other | 3,552 | - | - |
| Total revenues | 284,739 | 98,023 | 112,293 |
| **EXPENDITURES** | | | |
| Current operations | | | |
| General government | 148,322 | - | - |
| Public safety | 11,904 | 98,023 | 112,293 |
| Public works | 2,882 | - | - |
| Parks and recreation | 1,888 | - | - |
| Capital outlay | - | - | - |
| Other | 20,416 | - | - |
| Debt service | | | |
| Principal retirement | - | - | - |
| Interest and fees | - | - | - |
| Total expenditures | 185,412 | 98,023 | 112,293 |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | 99,327 | - | - |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Operating transfers from other funds | - | - | - |
| Operating transfers to other funds | (105,326) | - | - |
| Total other financing sources (uses) | (105,326) | - | - |
| **REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES** | (5,999) | - | - |
| **FUND BALANCES,** beginning of the year | 261,400 | - | - |
| **FUND BALANCES,** end of the year | $ 255,401 | $ - | $ - |

| Road Assessments P.I.H.A. | Road Assessments Esau Heights | Road Assessments Parallel Road | Road Assessments P.I.H.A. | Long-Range Recreation |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - |
| 179,398 | 10,312 | 10,190 | - | - |
| - | - | - | - | 2,500 |
| - | - | - | - | 30,000 |
| 1,803 | 104 | - | 23 | 486 |
| - | - | - | - | 35,454 |
| - | - | - | - | - |
| 181,201 | 10,416 | 10,190 | 23 | 68,440 |
| | | | | |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 7,379 |
| - | - | - | - | - |
| | | | | |
| - | - | - | 145,000 | - |
| - | - | - | 47,588 | - |
| - | - | - | 192,588 | 7,379 |
| | | | | |
| 181,201 | 10,416 | 10,190 | (192,565) | 61,061 |
| | | | | |
| - | - | - | 174,442 | 6,000 |
| (174,442) | - | - | - | - |
| (174,442) | - | - | 174,442 | 6,000 |
| | | | | |
| 6,759 | 10,416 | 10,190 | (18,123) | 67,061 |
| 447,343 | 24,352 | - | 18,123 | 35,324 |
| $ 454,102 | $ 34,768 | $ 10,190 | $ - | $ 102,385 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

June 30, 2004

| | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| **REVENUES** | | |
| Taxes | $ - | $ 375,778 |
| Special assessments | 13,411 | 213,311 |
| State revenue | 2,835 | 118,217 |
| Local grant revenue | - | 30,000 |
| Investment income and rents | 1,133 | 6,392 |
| Donations | - | 35,454 |
| Other | 2,109 | 5,661 |
| Total revenues | 19,488 | 784,813 |
| **EXPENDITURES** | | |
| Current operations | | |
| General government | 31,703 | 180,025 |
| Public safety | 3,873 | 226,093 |
| Public works | 6,801 | 9,683 |
| Parks and recreation | - | 1,888 |
| Capital outlay | - | 7,379 |
| Other | - | 20,416 |
| Debt service | | |
| Principal retirement | 29,718 | 174,718 |
| Interest and fees | 675 | 48,263 |
| Total expenditures | 72,770 | 668,465 |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | (53,282) | 116,348 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Operating transfers from other funds | 130,719 | 311,161 |
| Operating transfers to other funds | (31,393) | (311,161) |
| Total other financing sources (uses) | 99,326 | - |
| **REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES** | 46,044 | 116,348 |
| **FUND BALANCES,** beginning of the year | 198,536 | 985,078 |
| **FUND BALANCES,** end of the year | $ 244,580 | $ 1,101,426 |

See accompanying notes to financial statements.

Presque Isle Township

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

| | | |
|---|---|---|
| Net change in fund balances - Total governmental funds | | $ 116,348 |
| 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 depreciated over their estimated useful lives. | | |
| Expenditures for capital assets | $ 10,351 | |
| Less current year depreciation | (18,096) | (7,745) |
| Repayment of bond and land purchase bank loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities. | | |
| Bond principal payments | 145,000 | |
| Land purchase bank loan principal payments | 29,718 | 174,718 |
| Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds. | | |
| Change in deferred revenue | | 52,343 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Change in accrued interest payable | | 1,285 |
| Change in Net Assets of Governmental Activities | | $ 336,949 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

| | Business-type Activities Enterprise Funds |
|---|---|
| | Old Lighthouse Park |
| **ASSETS** | |
| Current assets | |
| Cash and cash equivalents | $ 49,317 |
| Total current assets | 49,317 |
| Noncurrent assets | |
| Capital assets | 343,850 |
| Accumulated depreciation | (25,299) |
| Total noncurrent assets | 318,551 |
| Total assets | 367,868 |
| **LIABILITIES** | |
| Total liabilities | - |
| **NET ASSETS** | |
| Invested in capital assets, net of related debt | 318,551 |
| Unrestricted | 49,317 |
| Total net assets | $ 367,868 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS

For the Year Ended June 30, 2004

| | Business-type Activities Enterprise Funds |
|---|---|
| | Old Lighthouse Park |
| **OPERATING REVENUES** | |
| Charges for services | $ 18,675 |
| Total operating revenues | 18,675 |
| **OPERATING EXPENSES** | |
| Supplies and other | 17,988 |
| Depreciation | 8,596 |
| Total operating expenses | 26,584 |
| **OPERATING INCOME (LOSS)** | (7,909) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Investment income and rents | 336 |
| Donations | 8,200 |
| Total nonoperating revenues (expenses) | 8,536 |
| Change in net assets | 627 |
| Net assets - beginning of the year | 367,241 |
| Net assets - end of the year | $ 367,868 |

See accompanying notes to financial statements.

Presque Isle Township

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS

For the Year Ended June 30, 2004

| | Business-type Activities Enterprise Funds |
|---|---|
| | Old Lighthouse Park |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers and users | $ 18,675 |
| Payments to suppliers | (17,238) |
| Net cash provided (used) by operating activities | 1,437 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Donations | 8,200 |
| | 8,200 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Net cash provided (used) by capital and related financing activities | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest and dividends received | 336 |
| Net cash provided (used) by investing activities | 336 |
| Net increase (decrease) in cash and cash equivalents | 9,973 |
| **CASH AND CASH EQUIVALENTS,** beginning of the year | 39,344 |
| **CASH AND CASH EQUIVALENTS,** end of the year | $ 49,317 |

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS - Continued**

For the Year Ended June 30, 2004

| | Business-type Activities Enterprise Funds |
|---|---|
| | Old Lighthouse Park |
| **Reconciliation of operating income to net cash provided (used) by operating activities** | |
| Operating income (loss) | $ (7,909) |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 8,596 |
| Increase (decrease) in due from other governmental units | 750 |
| Net cash provided (used) by operating activities | $ 1,437 |
| **NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | |
| Increase (decrease) in the fair value of investments | $ - |

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF FIDUCIARY NET ASSETS**
**FIDUCIARY FUNDS**

June 30, 2004

| | Agency Fund - Tax Collection |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 68 |
| Due from other governments | 54,810 |
| | $ 54,878 |
| **LIABILITIES AND FUND LIABILITIES** | |
| Accounts payable | $ - |
| Due to other governmental units | 54,878 |
| | 54,878 |
| Fund Balances | |
| Unreserved | |
| Undesignated | - |
| | - |
| | $ 54,878 |

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Presque Isle Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Presque Isle Township:

### A. Reporting Entity.

Presque Isle Township is governed by an elected five-member Township Board, composed of the supervisor, the clerk, the treasurer, and two trustees. The Township supervisor acts as the chief administrative and executive officer.

The accompanying financial statements present the government of the Township. Presque Isle Township does not have any component units, entities for which the government is considered to be financially accountable.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

**General Fund.** This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Presque Isle Township Fire #2 and East Grand Lake Fire Department Funds.** These funds account for tax levies for the purpose of providing fire protection authorized by a vote of the electors of Presque Isle Township.

**Road Assessment Funds.** These funds account for the special assessment districts for road improvements of Presque Isle Harbor Association, Esau Heights, and Parallel Road.

**Debt Retirement Fund.** These funds account for the special assessment districts for debt retirement of Presque Isle Harbor Association.

**Long-Range Recreation Fund.** This fund is used to account for funds set aside for future long-range recreation costs of the township.

The government reports the following major proprietary funds:

**Old Lighthouse Park.** Accounts for the activities related to the operation of the Old Lighthouse Park.

Additionally, the Presque Isle Township reports the following fund types:

**Permanent Funds.** Report resources that are legally restricted to the extent that only earnings, and not principal may be used to support operations.

**Debt Service Funds.** Account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Capital Project Funds.** These funds are used to account for the acquisition or construction of capital facilities.

**Agency Funds.** These funds are used to account for assets held in trust or as an agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering foods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments.** Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables.** In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Inventories and Prepaid Items.** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**. Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings | 50 years |
| Building Improvements | 15 years |
| Office Equipment | 5 years |

**Long-Term Obligations.** In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**Comparative Data / Reclassifications.** Comparative total data for the prior year have been presented only in the management discussion and analysis and in the individual fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

**Budgets and Budgetary Accounting**. Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain taxpayer comments. Prior to June 30, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at June 30, are not carried forward to the following year. Budgeting control is legally maintained at the fund level for all funds except the General Fund which maintains control at the department level.

Budgets are to be prepared on the same basis of accounting as the financial statements. The Township prepared its budgets using the cash basis of accounting.

Individual budget amendments were not material in relation to the original appropriations.

**Excess of Expenditures Over Appropriations in Budgeted Funds.** The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Presque Isle Township's budgeted and actual expenditures for the funds budgeted have been shown on a functional basis.

During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

| Budget Item | Appropriated | Expended | Variance |
|---|---|---|---|
| General Fund | | | |
| General Government | | | |
| Board of review | $ 1,000 | $ 1,129 | $ (129) |
| Treasurer | 20,000 | 20,103 | (103) |
| Township Hall | 16,000 | 16,755 | (755) |
| Cemetery | 2,000 | 2,295 | (295) |
| Parks and recreation | 1,000 | 1,888 | (888) |
| Other - payroll | 1,200 | 2,755 | (1,555) |
| Operating transfers to other funds | 85,400 | 105,326 | (19,926) |

**Accumulated Fund Deficits.** The Presque Isle Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2004.

## NOTE 3--DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Presque Isle 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 of 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 Presque Isle Township Board has designated three 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 bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

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

At year end, the Presque Isle Township's deposits and investments were reported in the basic financial statements in statements in the following categories:

| | Governmental Activities | Business-type Activities | Fiduciary Funds |
|---|---|---|---|
| Cash and cash equivalents | $ 1,021,549 | $ 49,317 | $ 68 |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|---|---|
| Bank deposits (checking accounts, savings accounts, and Certificates of Deposit) | $ 1,070,934 |

The Township maintains separate cash accounts for each of its funds. Cash is not pooled. Cash equivalents generally include only investments with original maturities of three months or less.

For the year ended June 30, 2004 the carrying amount of the Township's deposits with financial institutions was $1,070,934 and the bank balance was $1,064,539. Of the bank balance, $200,000 was covered by federal depository insurance (FDIC), with the remaining balance of $864,539 being uninsured.

## NOTE 4--RECEIVABLES.

Receivables for the primary government at June 30, 2004 are as follows:

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| Special assessments | $ 24,769 | $ - | $ 924,769 |
| Taxes receivable | 54,809 | - | 54,809 |
| | $ 979,578 | $ - | $ 979,578 |

## NOTE 5--PROPERTY TAXES.

**Property Taxes**. Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Presque Isle tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Property in Presque Isle Township for the 2003 levy was assessed at a taxable value of $110,321,677. The Township's general operating rate is currently 1.0 mills with additional mills of 2.0017 for East Grand Lake Fire Department and 2.2683 for Presque Isle Township Fire Department.

By agreement with the County of Presque Isle, delinquent real property taxes are purchased by the County of Presque Isle. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

## NOTE 6--CAPITAL ASSETS.

Capital asset activity of the primary government for the current year was as follows:

| | Primary Government | | | |
|---|---|---|---|---|
| | Balances Jul 1, 2003 | Additions | (Deletions) | Balances Jun 30, 2004 |
| **Governmental activities:** | | | | |
| Historical cost: | | | | |
| Land | $ 212,300 | $ - | $ - | $ 212,300 |
| Land improvements | 134,530 | - | - | 134,530 |
| Buildings | 314,340 | - | - | 314,340 |
| Building Improvements | 37,352 | - | - | 37,352 |
| Equipment | 7,787 | 10,351 | - | 18,138 |
| | 706,309 | 10,351 | - | 716,660 |
| Allowance for depreciation: | | | | |
| Land improvements | (20,669) | (6,727) | - | (27,396) |
| Buildings | (70,431) | (6,287) | - | (76,718) |
| Buildings and improvements | (8,231) | (2,490) | - | (10,721) |
| Equipment | (5,061) | (2,592) | - | (7,653) |
| | (104,392) | (18,096) | - | (122,488) |
| Net Capital Assets | $ 601,917 | $ (7,745) | $ - | $ 594,172 |
| **Business-type activities:** | | | | |
| Historical cost: | | | | |
| Buildings and improvements | $ 343,850 | $ - | $ - | $ 343,850 |
| | 343,850 | - | - | 343,850 |
| Allowance for depreciation: | | | | |
| Buildings and improvements | (16,703) | (8,596) | - | (25,299) |
| | (16,703) | (8,596) | - | (25,299) |
| Net Capital Assets | $ 327,147 | $ (8,596) | $ - | $ 318,551 |

**NOTE 6--CAPITAL ASSETS - (continued).**

| | |
|---|---|
| Governmental activities: | |
| General government | $ 12,574 |
| Parks and recreation | 5,522 |
| | $ 18,096 |
| Business-type activities: | |
| Old Lighthouse Park | $ 8,596 |
| | $ 8,596 |

**NOTE 7--LONG-TERM DEBT.**

General Long-Term Debt Account Group:

| | July 01, 2003 | Additions | (Reductions) | June 30, 2004 |
|---|---|---|---|---|
| 2000A Special Assessment Road Bonds | $ 665,000 | $ - | $ (110,000) | $ 555,000 |
| 2000B Special Assessment Road Bonds | 235,000 | - | ( 35,000) | 200,000 |
| Installment Loan, Township Hall Renovation | 30,578 | - | (29,718) | 860 |
| Totals | $ 930,578 | $ - | $ (174,718) | $ 755,860 |

The installment loan payable is from National City for Township Hall Renovation and is not secured by any Township assets.

The annual requirements to pay principal and interest on long-term debt obligations outstanding at June 30, 2004 through 2009 are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2005 | $ 150,860 | $ 39,679 | $ 190,539 |
| 2006 | 150,000 | 31,965 | 181,965 |
| 2007 | 150,000 | 24,200 | 174,200 |
| 2008 | 150,000 | 16,360 | 166,360 |
| 2009 | 155,000 | 8,370 | 163,370 |
| | $ 755,860 | $ 120,574 | $ 876,434 |

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8--FUND EQUITY RESERVATIONS AND DESIGNATIONS.

Fund equity reservations and designations of the various funds at June 30, 2004 are as follows:

| | |
|---|---|
| Special Revenue Funds | |
| Designated for road improvements | |
| Road assessments – Blue Horizon | $ 5,821 |
| Road assessments – Hoffman | 2,911 |
| Road assessments – P.I.H.A. | 454,102 |
| Road assessments – Evergreen/Dault | 58,127 |
| Road assessments – Esau Heights | 34,768 |
| Road assessments – Bell Bay | 8,071 |
| Road assessments – Parallel | 10,190 |
| | 573,990 |
| Capital Project Funds | |
| Designated for road improvements | |
| Road improvements | 110,805 |
| Designated for capital outlay | |
| Planning | 496 |
| Capital improvements | 48,224 |
| Recreational long-range | 102,385 |
| | 151,105 |

### NOTE 9--OPERATING TRANSFERS IN AND TRANSFERS (OUT).

| | Transfers In | Transfers (Out) |
|---|---|---|
| General Fund | $ - | $ (105,326) |
| Special Revenue Funds | | |
| Planning | 5,353 | (1,000) |
| Road assessments – P.I.H.A. | - | (174,442) |
| Debt Service Funds | | |
| Township Hall | 30,393 | - |
| Road assessments – P.I.H.A. | 174,442 | - |
| Capital Project Funds | | |
| Capital improvements | 44,973 | (30,393) |
| Recreational long-range | 6,000 | - |
| Road improvements | 50,000 | - |
| | $ 311,161 | $ (311,161) |

### NOTE 10--POSTRETIREMENT BENEFITS.

Presque Isle Township offers no postretirement benefits in addition to the pension plan to its retirees.

## NOTE 11--RETIREMENT PLAN.

The Township makes available pension benefits for all of its employees through participation in the *Presque Isle Township Employee Money Purchase Pension Plan*, a defined contribution plan.

The Township's total covered payroll for the fiscal year ended June 30, 2004 was $99,194, and its total payroll for all employees was $99,194.

The Township and the employees contribute a combined amount equal to 25% of the employees' annual compensation. Presque Isle Township contributes 6% of annual wages for eligible employees to this plan, while the employees contribute 19% of annual wages. Employees are eligible to participate as of the first day of the plan year following the start of employment and must have reached the age of eighteen. The participants' interest is 100% vested upon entering the plan.

For the year ended June 30, 2004, the Township's pension contribution amounted to $5,946. In addition, employees contributed $18,847 to the plan.

## NOTE 12--BUILDING CODE ACTIVITY.

State of Michigan Construction Code Act (Public Act 245 of 1999) requires building code activity to be separated from other general fund activity effective January 1, 2000. Presque Isle County administers all building activity; therefore, the Township does not have any building code activity.

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**

For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| Budgetary fund balance, July 1 | $ 261,400 | $ 261,400 | $ 261,400 | $ - |
| Resources (inflows): | | | | |
| Taxes | 170,900 | 170,900 | 165,532 | (5,368) |
| Licenses and permits | 200 | 200 | - | (200) |
| State revenue | 118,660 | 118,660 | 112,882 | (5,778) |
| Investment income and rents | 3,200 | 3,200 | 2,773 | (427) |
| Other | 1,000 | 3,140 | 3,552 | 412 |
| Amounts available for appropriation | 555,360 | 557,500 | 546,139 | (11,361) |
| Charges to appropriation (outflows): | | | | |
| General Government | | | | |
| Township board | 24,000 | 29,000 | 25,602 | 3,398 |
| Supervisor | 13,500 | 13,500 | 12,696 | 804 |
| Elections | 2,500 | 2,500 | 288 | 2,212 |
| Summer tax collection | 13,500 | 13,500 | 10,573 | 2,927 |
| Assessor | 31,000 | 26,000 | 25,950 | 50 |
| Clerk | 13,500 | 13,500 | 13,056 | 444 |
| Office personnel | 8,000 | 8,000 | 7,996 | 4 |
| Board of review | 1,000 | 1,000 | 1,129 | (129) |
| Treasurer | 20,000 | 20,000 | 20,103 | (103) |
| Township hall | 15,000 | 16,000 | 16,755 | (755) |
| Cemetery | 1,800 | 2,000 | 2,295 | (295) |
| Planning commission | 11,000 | 15,000 | 11,879 | 3,121 |
| | 154,800 | 160,000 | 148,322 | 11,678 |
| Public safety | | | | |
| Liquor inspection | 600 | 600 | 600 | - |
| Zoning and appeals board | 7,000 | 15,000 | 10,304 | 4,696 |
| H.U.N.T. | - | 1,000 | 1,000 | - |
| | 7,600 | 16,600 | 11,904 | 4,696 |
| Public works | | | | |
| Street lighting | 3,500 | 3,500 | 2,882 | 618 |
| | 3,500 | 3,500 | 2,882 | 618 |
| Parks and recreation | | | | |
| Library | 1,000 | 1,000 | - | 1,000 |
| Parks/Recreation | 1,000 | 1,000 | 1,888 | (888) |
| | 2,000 | 2,000 | 1,888 | 112 |

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**

Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **Charges to appropriation (continued)** | | | | |
| Other | | | | |
| Insurance and bonds | $ 8,500 | $ 10,000 | $ 9,123 | $ 877 |
| CDM assessing | 2,400 | 2,400 | 2,400 | - |
| Office improvements | 14,000 | 14,000 | 6,138 | 7,862 |
| Payroll | 1,200 | 1,200 | 2,755 | (1,555) |
| | 26,100 | 27,600 | 20,416 | 7,184 |
| Contingencies | 1,000 | 1,000 | - | 1,000 |
| Operating transfers to other funds | 85,400 | 85,400 | 105,326 | (19,926) |
| Total charges to appropriations | 280,400 | 296,100 | 290,738 | 5,362 |
| Budgetary fund balance, June 30 | $ 274,960 | $ 261,400 | $ 255,401 | $ (5,999) |

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE**
**SPECIAL REVENUE FUNDS**

Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **PRESQUE ISLE TOWNSHIP FIRE #2** | | | | |
| Budgetary fund balance, July 1 | $ - | $ - | $ - | $ - |
| Resources (inflows): | | | | |
| Taxes | - | 97,996 | 97,993 | (3) |
| Investment income and rents | - | 30 | 30 | - |
| Amounts available for appropriation | - | 98,026 | 98,023 | (3) |
| Charges to appropriation (outflows): | | | | |
| Public Safety | - | 98,026 | 98,023 | 3 |
| Total charges to appropriations | - | 98,026 | 98,023 | 3 |
| Budgetary fund balance, June 30 | $ - | $ - | $ - | $ - |
| **EAST GRAND LAKE FIRE DEPARTMENT** | | | | |
| Budgetary fund balance, July 1 | $ - | $ - | $ - | $ - |
| Resources (inflows): | | | | |
| Taxes | - | 112,274 | 112,253 | (21) |
| Investment income and rents | - | 40 | 40 | - |
| Amounts available for appropriation | - | 112,314 | 112,293 | (21) |
| Charges to appropriation (outflows): | | | | |
| Public Safety | - | 112,314 | 112,293 | 21 |
| Total charges to appropriations | - | 112,314 | 112,293 | 21 |
| Budgetary fund balance, June 30 | $ - | $ - | $ - | $ - |

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE**
**SPECIAL REVENUE FUNDS**

Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Amounts | Favorable (Unfavorable) |
| **ROAD ASSESSMENTS P.I.H.A.** | | | | |
| Budgetary fund balance, July 1 | $ - | $ 447,343 | $ 447,343 | $ - |
| Resources (inflows): | | | | |
| Special assessments | - | 178,087 | 179,398 | 1,311 |
| Investment income and rents | - | 1,800 | 1,803 | 3 |
| Amounts available for appropriation | - | 627,230 | 628,544 | 1,314 |
| Charges to appropriation (outflows): | | | | |
| Operating transfer to other funds | - | 174,442 | 174,442 | - |
| Total charges to appropriations | - | 174,442 | 174,442 | - |
| Budgetary fund balance, June 30 | $ - | $ 452,788 | $ 454,102 | $ 1,314 |
| **ROAD ASSESSMENTS ESAU HEIGHTS** | | | | |
| Budgetary fund balance, July 1 | $ - | $ 24,352 | $ 24,352 | $ - |
| Resources (inflows): | | | | |
| Special assessments | - | 10,307 | 10,312 | 5 |
| Investment income and rents | - | 100 | 104 | 4 |
| Amounts available for appropriation | - | 34,759 | 34,768 | 9 |
| Charges to appropriation (outflows): | - | - | - | - |
| Total charges to appropriations | - | - | - | - |
| Budgetary fund balance, June 30 | $ - | $ 34,759 | $ 34,768 | $ 9 |

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE**
**SPECIAL REVENUE FUNDS**

Year Ended June 30, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable |
|---|---|---|---|---|
| | Original | Final | Amounts | (Unfavorable) |
| **ROAD ASSESSMENTS PARALLEL ROAD** | | | | |
| Budgetary fund balance, July 1 | $ - | $ - | $ - | $ - |
| Resources (inflows): | | | | |
| Special assessments | - | - | 10,190 | 10,190 |
| Amounts available for appropriation | - | - | 10,190 | 10,190 |
| Charges to appropriation (outflows): | - | - | - | - |
| Total charges to appropriations | - | - | - | - |
| Budgetary fund balance, June 30 | $ - | $ - | $ 10,190 | $ 10,190 |

Presque Isle Township

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

| | Planning | Road Assessments Blue Horizon | Road Assessments Hoffman |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 496 | $ 4,992 | $ 2,836 |
| Taxes receivable | - | 829 | 75 |
| Special assessments receivable | - | - | - |
| Prepaid items | - | - | - |
| Total assets | $ 496 | $ 5,821 | $ 2,911 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Deferred revenue | $ - | $ - | $ - |
| Total liabilities | - | - | - |
| **NET ASSETS** | | | |
| Fund Balances: | | | |
| Restricted for: | | | |
| Road Improvements | - | 5,821 | 2,911 |
| Capital outlay | 496 | - | - |
| Unrestricted | - | - | - |
| Total fund balances | 496 | 5,821 | 2,911 |
| Total liabilities and fund balances | $ 496 | $ 5,821 | $ 2,911 |

| Road Assessments Evergreen/ Dault | Road Assessments Bell Bay | Township Hall | Capital Improvements | Road Improvements | Cemetary |
|---|---|---|---|---|---|
| $ 57,055 | $ 8,050 | $ - | $ 48,224 | $ 70,805 | $ 10,125 |
| 1,072 | 21 | - | - | - | - |
| 36,006 | 3,002 | - | - | - | - |
| - | - | - | - | 40,000 | - |
| $ 94,133 | $ 11,073 | $ - | $ 48,224 | $ 110,805 | $ 10,125 |
| | | | | | |
| $ 36,006 | $ 3,002 | $ - | $ - | $ - | $ - |
| 36,006 | 3,002 | - | - | - | - |
| | | | | | |
| 58,127 | 8,071 | - | - | 110,805 | - |
| - | - | - | 48,224 | - | - |
| - | - | - | - | - | 10,125 |
| 58,127 | 8,071 | - | 48,224 | 110,805 | 10,125 |
| | | | | | |
| $ 94,133 | $ 11,073 | $ - | $ 48,224 | $ 110,805 | $ 10,125 |

Presque Isle Township

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

| | Total Nonmajor Governmental Funds |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 202,583 |
| Taxes receivable | 1,997 |
| Special assessments receivable | 39,008 |
| Prepaid items | 40,000 |
| Total assets | $ 283,588 |
| **LIABILITIES AND FUND BALANCES** | |
| Liabilities: | |
| Deferred revenue | $ 39,008 |
| Total liabilities | 39,008 |
| **NET ASSETS** | |
| Fund Balances: | |
| Restricted for: | |
| Road Improvements | 185,735 |
| Capital outlay | 48,720 |
| Unrestricted | 10,125 |
| Total fund balances | 244,580 |
| Total liabilities and fund balances | $ 283,588 |

Presque Isle Township

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

| | Planning | Road Assessments Blue Horizon | Road Assessments Hoffman |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ - | $ - | $ - |
| Special assessments | - | 3,565 | 1,050 |
| State revenue | - | - | - |
| Investment income and rents | 16 | 43 | 21 |
| Other | - | - | - |
| Total revenues | 16 | 3,608 | 1,071 |
| **EXPENDITURES** | | | |
| Current operations | | | |
| General government | - | - | - |
| Public safety | 3,873 | - | - |
| Public works | - | 2,567 | 1,279 |
| Debt service | | | |
| Principal retirement | - | - | - |
| Interest and fees | - | - | - |
| Total expenditures | 3,873 | 2,567 | 1,279 |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | (3,857) | 1,041 | (208) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Operating transfers from other funds | 5,353 | - | - |
| Operating transfers to other funds | (1,000) | - | - |
| Total other financing sources (uses) | 4,353 | - | - |
| **REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES** | 496 | 1,041 | (208) |
| **FUND BALANCES, beginning of the year** | - | 4,780 | 3,119 |
| **FUND BALANCES, end of the year** | $ 496 | $ 5,821 | $ 2,911 |

| Road Assessments Evergreen/ Dault | Road Assessments Bell Bay | Township Hall | Capital Improvements | Road Improvements | Cemetary |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - |
| 8,206 | 590 | - | - | - | - |
| - | - | - | - | 2,835 | - |
| 95 | 29 | - | 421 | 406 | 102 |
| - | - | - | - | - | 2,109 |
| 8,301 | 619 | - | 421 | 3,241 | 2,211 |
| - | - | - | 21,951 | - | 9,752 |
| - | - | - | - | - | - |
| - | - | - | - | 2,955 | - |
| - | - | 29,718 | - | - | - |
| - | - | 675 | - | - | - |
| - | - | 30,393 | 21,951 | 2,955 | 9,752 |
| 8,301 | 619 | (30,393) | (21,530) | 286 | (7,541) |
| - | - | 30,393 | 44,973 | 50,000 | - |
| - | - | - | (30,393) | - | - |
| - | - | 30,393 | 14,580 | 50,000 | - |
| 8,301 | 619 | - | (6,950) | 50,286 | (7,541) |
| 49,826 | 7,452 | - | 55,174 | 60,519 | 17,666 |
| $ 58,127 | $ 8,071 | $ - | $ 48,224 | $ 110,805 | $ 10,125 |

Presque Isle Township

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

| | Total Nonmajor Governmental Funds |
|---|---|
| **REVENUES** | |
| Taxes | $ - |
| Special assessments | 13,411 |
| State revenue | 2,835 |
| Investment income and rents | 1,133 |
| Other | 2,109 |
| Total revenues | 19,488 |
| **EXPENDITURES** | |
| Current operations | |
| General government | 31,703 |
| Public safety | 3,873 |
| Public works | 6,801 |
| Debt service | |
| Principal retirement | 29,718 |
| Interest and fees | 675 |
| Total expenditures | 72,770 |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | (53,282) |
| **OTHER FINANCING SOURCES (USES)** | |
| Operating transfers from other funds | 130,719 |
| Operating transfers to other funds | (31,393) |
| Total other financing sources (uses) | 99,326 |
| **REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES** | 46,044 |
| **FUND BALANCES, beginning of the year** | 198,536 |
| **FUND BALANCES, end of the year** | $ 244,580 |

Presque Isle Township

General Fund

## COMPARATIVE BALANCE SHEET

| | June 30 | |
|---|---|---|
| | 2004 | 2003 |
| **ASSETS** | | |
| Cash and cash equivalents | $ 248,915 | $ 257,762 |
| Taxes receivable | 8,222 | 8,762 |
| | $ 257,137 | $ 266,524 |
| **LIABILITIES AND EQUITY** | | |
| Accounts payable | $ 1,736 | $ 5,124 |
| Fund Balances | | |
| Unreserved | | |
| Undesignated | 255,401 | 261,400 |
| | $ 257,137 | $ 266,524 |

Presque Isle Township

General Fund

## COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

| | Year Ended June 30 | | |
|---|---|---|---|
| | 2004 Budget | 2004 Actual | 2003 Actual |
| **REVENUES** | | | |
| **TAXES** | | | |
| Property taxes | $ 123,900 | $ 112,880 | $ 104,097 |
| Penalties and fees | 45,500 | 52,036 | 41,257 |
| Other | 1,500 | 616 | 1,529 |
| | 170,900 | 165,532 | 146,883 |
| **LICENSES AND PERMITS** | 200 | - | 315 |
| | 200 | - | 315 |
| **STATE REVENUE** | | | |
| State revenue sharing | 118,000 | 112,222 | 118,674 |
| Liquor license fees | 660 | 660 | - |
| | 118,660 | 112,882 | 118,674 |
| **INVESTMENT INCOME AND RENTS** | | | |
| Investment income | 2,500 | 1,834 | 2,145 |
| Rents | 700 | 939 | 633 |
| | 3,200 | 2,773 | 2,778 |
| **OTHER** | | | |
| Miscellaneous | 3,140 | 3,552 | 5,446 |
| | 3,140 | 3,552 | 5,446 |
| Total revenues | 296,100 | 284,739 | 274,096 |
| **EXPENDITURES** | | | |
| **GENERAL GOVERNMENT** | | | |
| Township board | 29,000 | 25,602 | 28,984 |
| Supervisor | 13,500 | 12,696 | 12,002 |
| Elections | 2,500 | 288 | 2,628 |
| Summer tax collection | 13,500 | 10,573 | - |
| Assessor | 26,000 | 25,950 | 23,565 |
| Clerk | 13,500 | 13,056 | 12,559 |
| Office personnel | 8,000 | 7,996 | 2,769 |
| Board of review | 1,000 | 1,129 | 982 |
| Treasurer | 20,000 | 20,103 | 19,444 |
| Township hall | 16,000 | 16,755 | 16,152 |
| Cemetery | 2,000 | 2,295 | 2,065 |
| Planning commission | 15,000 | 11,879 | 22,647 |
| | 160,000 | 148,322 | 143,797 |

Presque Isle Township

General Fund

## COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

| | Year Ended June 30 | | |
|---|---|---|---|
| | 2004 Budget | 2004 Actual | 2003 Actual |
| **EXPENDITURES** (continued) | | | |
| **PUBLIC SAFETY** | | | |
| Liquor inspection | $ 600 | $ 600 | $ 600 |
| Zoning and appeals board | 15,000 | 10,304 | 10,464 |
| H.U.N.T. | 1,000 | 1,000 | - |
| | 16,600 | 11,904 | 11,064 |
| **PUBLIC WORKS** | | | |
| Street lighting | 3,500 | 2,882 | 2,629 |
| | 3,500 | 2,882 | 2,629 |
| **PARKS AND RECREATION** | | | |
| Library | 1,000 | - | 932 |
| Parks/Recreation | 1,000 | 1,888 | 652 |
| Museum Society | - | - | 1,000 |
| | 2,000 | 1,888 | 2,584 |
| **OTHER** | | | |
| Contingency | 1,000 | - | 260 |
| Insurance and bonds | 10,000 | 9,123 | 8,693 |
| CDM assessing | 2,400 | 2,400 | - |
| Office improvements | 14,000 | 6,138 | 817 |
| Payroll | 1,200 | 2,755 | 200 |
| | 28,600 | 20,416 | 9,970 |
| Total expenditures | 210,700 | 185,412 | 170,044 |
| **EXCESS REVENUES OVER (UNDER) EXPENDITURES** | 85,400 | 99,327 | 104,052 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Operating transfers to other funds | | | |
| Capital improvements | (30,400) | (44,973) | (10,000) |
| Planning | - | (5,353) | - |
| Recreational long range | (5,000) | (5,000) | (7,000) |
| Road improvements | (50,000) | (50,000) | (50,000) |
| Debt fund | - | - | (20,400) |
| Total other financing sources (uses) | (85,400) | (105,326) | (87,400) |
| **REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** | - | (5,999) | 16,652 |
| **FUND BALANCES,** beginning of year | 261,400 | 261,400 | 244,748 |
| **FUND BALANCES,** end of the year | $ 261,400 | $ 255,401 | $ 261,400 |

Presque Isle Township

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

Year Ended June 30, 2004

| | Balances, June 30, 03 | Additions | Deductions | Balances, June 30, 04 |
|---|---|---|---|---|
| **TAX COLLECTION** | | | | |
| **ASSETS** | | | | |
| Cash and equivalents | $ 2,844 | $ 3,643,585 | $ 3,646,361 | $ 68 |
| | $ 2,844 | $ 3,643,585 | $ 3,646,361 | $ 68 |
| **LIABILITIES** | | | | |
| Due to governmental units | $ 2,844 | $ 3,643,585 | $ 3,646,361 | $ 68 |
| | $ 2,844 | $ 3,643,585 | $ 3,646,361 | $ 68 |

Presque Isle Township

## SCHEDULE OF INDEBTEDNESS

June 30, 2004

| | Interest Rate | Date of Maturity | Principal Payable | Annual Interest Payable |
|---|---|---|---|---|
| **GENERAL LONG-TERM DEBT ACCOUNT GROUP** | | | | |
| National City Bank, Installment Loan, Township Hall Renovation | 5.00% | 2004/05 | $ 860 | $ 4 |
| Date of Issue: December 20, 1999 | | | 860 | 4 |
| Amount of Issue: $114,771 | | | | |
| County of Presque Isle, | 5.10% | 2004/05 | 110,000 | 29,035 |
| State of Michigan | 5.15% | 2005/06 | 110,000 | 23,425 |
| 2000A Special Assessment | 5.20% | 2006/07 | 110,000 | 17,760 |
| Road Bonds | 5.30% | 2007/08 | 110,000 | 12,040 |
| Date of Issue: April 1, 2000 | 5.40% | 2008/09 | 115,000 | 6,210 |
| Amount of Issue: $995,000 | | | | |
| | | | 555,000 | 88,470 |
| County of Presque Isle, | | | | |
| State of Michigan | 5.25% | 2004/05 | 40,000 | 10,640 |
| 2000B Special Assessment | 5.25% | 2005/06 | 40,000 | 8,540 |
| Road Bonds | 5.30% | 2006/07 | 40,000 | 6,440 |
| Date of Issue: June 1, 2000 | 5.40% | 2007/08 | 40,000 | 4,320 |
| Amount of Issue: $320,000 | 5.40% | 2008/09 | 40,000 | 2,160 |
| | | | 200,000 | 32,100 |
| Total Long-Term Debt | | | $ 755,860 | $ 120,574 |

**STRALEY, ILSLEY & LAMP P.C.**

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ALPENA, MICHIGAN 49707
TELEPHONE (989) 356-4531
FACSIMILE (989) 356-0494

*Certified Public Accountants*

*TAX, AUDIT AND BUSINESS CONSULTANTS*

PHILIP T. STRALEY, C.P.A.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
MARK L. SANDULA, C.P.A.
TERRENCE D. YULE, C.P.A.
JAMES E. KRAENZLEIN, C.P.A., C.V.A.
SHANNA M. JOHNSON, C.P.A.
DONALD C. LEVREN

RETIRED
GORDON A. NETHERCUT, C.P.A.
CARL F. REITZ, C.P.A.
WARREN W. YOUNG, C.P.A.

December 20, 2004

To the Township Board
Presque Isle Township
Presque Isle County, Michigan

We have audited the financial statements of the Presque Isle Township, Michigan for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 29, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors may exist and not be detected by us.

As part of our audit, we considered the internal control of the Presque Isle Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Presque Isle Township's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Presque Isle Township are described in Note 1 to the financial statements. Presque Isle Township adopted Statement of Government Accounting Standards (GASB Statement) No. 34, Basic Financial Statements – and Management's Discussion and Analysis, during the year ending June 30, 2004. GASB No. 34 focuses on government-wide financial statements rather than fund groups. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the useful lives of fixed assets for depreciation purposes is based on historical information and industry estimates. We evaluated the assumptions used to develop depreciation expense in determining that it is reasonable in relation to the basic financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Presque Isle Township's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicated matters that could have a significant effect on the Presque Isle Township's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Presque Isle Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic of financial statements. We discovered no reportable conditions that should be reported to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

**Other Matters**

**Recent Pronouncements.** The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Presque Isle Township maintains its financial records:

**GASB Statement No. 40 Deposit and Investment Risk Disclosures**. The deposits and investments of state and local government are exposed to risks that have the potential to result in losses. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk and interest rate risk. The provisions of this statement are effective for financial statements after June 15, 2004.

**GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.** This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004.

We with to thank the staff of the Presque Isle Township for their assistance during the audit.

This report is intended solely for the information and use of the Board of Presque Isle Township, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by Presque Isle Township, is a matter of public record.

We appreciate the opportunity to serve Presque Isle Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*