

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Buena Vista Charter Township	County Saginaw
Audit Date December 31, 2004	Opinion Date April 13, 2005	Date Accountant Report Submitted to State: June 10, 2005	

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.

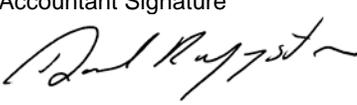
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo PC			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature 			

CHARTER TOWNSHIP OF BUENA VISTA

Saginaw, Michigan

Annual Financial Statements

and

Auditors' Report

December 31, 2004

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**Charter Township of Buena Vista
List of Elected and Appointed Officials
December 31, 2004**

TOWNSHIP BOARD

DWAYNE PARKER

SUPERVISOR

BARBARA A. MONTGOMERY

CLERK

DARA WILLIAMS

TREASURER

GREGORY K. CARTER

TRUSTEE

ROBERT L. MARTIN

TRUSTEE

TOMMIE ORANGE, JR.

TRUSTEE

CLEVELAND O'STEEN

TRUSTEE

OTHER OFFICERS AND OFFICIALS

MARTIN V. WILLIAMS

TOWNSHIP MANAGER

ALAN BAILEY

DIRECTOR OF FISCAL SERVICES



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

To the Township Board
Charter Township of Buena Vista
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Buena Vista as of and for the year ended December 31, 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 Township'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Buena Vista as of December 31, 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 reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2005 on our consideration of the Charter Township of Buena Vista’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is 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 supplementary 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 Charter Township of Buena Vista’s basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan

April 13, 2005

Charter Township of Buena Vista
Statement of Net Assets
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents	\$ 939,611	\$ 1,311,081	\$ 2,250,692	\$ 560,204
Certificates of deposit	-	32,493	32,493	-
Receivables (net)	2,220,271	771,415	2,991,686	310,187
Inventory	-	21,592	21,592	-
Internal balances	(195,268)	195,268	-	-
Due from other governmental units	343,349	-	343,349	-
Prepaid expenses	36,928	-	36,928	-
Capital assets (net)	3,970,740	11,720,840	15,691,580	39,137
Total assets	7,315,631	14,052,689	21,368,320	909,528
Liabilities				
Accounts payable	301,967	125,707	427,674	18,518
Due to other governmental units	222,013	38,821	260,834	-
Accrued and other liabilities	294,530	99,790	394,320	42,178
Noncurrent liabilities				
Due within one year	555,139	519,334	1,074,473	-
Due in more than one year	209,943	5,185,163	5,395,106	220,807
Total liabilities	1,583,592	5,968,815	7,552,407	281,503
Net Assets				
Invested in capital assets, net of related debt	3,185,458	5,965,443	9,150,901	39,137
Restricted for:				
Police training	21,896	-	21,896	-
Debt service	326,940	480,925	807,865	-
Unrestricted	2,197,745	1,637,506	3,835,251	588,888
Total net assets	\$ 5,732,039	\$ 8,083,874	\$ 13,815,913	\$ 628,025

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Statement of Activities
Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Downtown Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 1,278,202	\$ 82,634	\$ -	\$ 89,625	\$ (1,105,943)	\$ -	\$ (1,105,943)	
Public safety	2,104,998	162,169	-	-	(1,942,829)	-	(1,942,829)	
Health and welfare	211,772	-	209,476	-	(2,296)	-	(2,296)	
Public works	629,759	620,436	-	-	(9,323)	-	(9,323)	
Recreation and culture	239,295	65,907	6,600	-	(166,788)	-	(166,788)	
Interest on long-term debt	62,759	-	-	-	(62,759)	-	(62,759)	
Total governmental activities	<u>4,526,785</u>	<u>931,146</u>	<u>216,076</u>	<u>89,625</u>	<u>(3,289,938)</u>	<u>-</u>	<u>(3,289,938)</u>	
Business-type activities								
Sewer	1,159,617	584,683	-	-	-	(574,934)	(574,934)	
Water	971,306	1,114,058	-	-	-	142,752	142,752	
Total business-type activities	<u>2,130,923</u>	<u>1,698,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432,182)</u>	<u>(432,182)</u>	
Total primary government	<u>\$ 6,657,708</u>	<u>\$ 2,629,887</u>	<u>\$ 216,076</u>	<u>\$ 89,625</u>	<u>(3,289,938)</u>	<u>(432,182)</u>	<u>(3,722,120)</u>	
Component unit								
Downtown Development Authority	<u>\$ 153,667</u>	<u>\$ -</u>	<u>\$ 42,387</u>	<u>\$ -</u>				\$ (111,280)
General revenues								
Property taxes, levied for general purposes					1,739,564	-	1,739,564	368,938
Property taxes, levied for debt service					475,552	-	475,552	-
Customer charges for debt service					-	518,115	518,115	-
State shared revenue					1,126,909	-	1,126,909	-
Unrestricted investment earnings					16,142	15,343	31,485	3,321
Gain on sale of land					12,487	-	12,487	89,191
Internal charges					204,000	(204,000)	-	-
Miscellaneous					55,643	-	55,643	-
Total general revenues and transfers					<u>3,630,297</u>	<u>329,458</u>	<u>3,959,755</u>	<u>461,450</u>
Change in net assets					340,359	(102,724)	237,635	350,170
Net assets - beginning					<u>5,391,680</u>	<u>8,186,598</u>	<u>13,578,278</u>	<u>277,855</u>
Net assets - ending					<u>\$ 5,732,039</u>	<u>\$ 8,083,874</u>	<u>\$ 13,815,913</u>	<u>\$ 628,025</u>

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 501,139	\$ 438,472	\$ 939,611
Accounts receivable	120,271	-	120,271
Taxes receivable	1,632,000	468,000	2,100,000
Due from other funds	67,906	206,878	274,784
Due from other governmental units	343,349	-	343,349
Prepaid expenses	36,928	-	36,928
Total assets	<u>\$ 2,701,593</u>	<u>\$ 1,113,350</u>	<u>\$ 3,814,943</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 133,949	\$ 168,018	\$ 301,967
Accrued payroll	32,490	-	32,490
Due to other funds	446,969	1,332	448,301
Due to other governmental units	222,013	-	222,013
Deferred revenue	1,662,000	469,694	2,131,694
Total liabilities	<u>2,497,421</u>	<u>639,044</u>	<u>3,136,465</u>
Fund balance			
Reserved for:			
Police training	21,896	-	21,896
Debt service	-	326,940	326,940
Unreserved, reported in			
General fund	182,276	-	182,276
Special revenue funds	-	147,366	147,366
Total fund balance	<u>204,172</u>	<u>474,306</u>	<u>678,478</u>
Total liabilities and fund balance	<u>\$ 2,701,593</u>	<u>\$ 1,113,350</u>	<u>\$ 3,814,943</u>

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
December 31, 2004

Total fund balances for governmental funds \$ 678,478

Total net assets reported for governmental activities in the statement of net assets is different because:

Deferred payment in lieu of taxes	\$ 30,000	
Deferred income taxes	<u>2,101,694</u>	2,131,694

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,970,740

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of December 31, 2004 are as follows:

Installment loans payable	(765,082)	
Accrued interest payable	(20,200)	
Compensated absences payable	<u>(263,591)</u>	<u>(1,048,873)</u>

Net assets of governmental activities \$ 5,732,039

Charter Township of Buena Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,787,870	\$ 475,552	\$ 2,263,422
Licenses and permits	238,977	-	238,977
Federal grants	89,625	209,476	299,101
State grants	1,126,909	-	1,126,909
County grants	6,600	-	6,600
Charges for services	903,436	-	903,436
Fines and forfeits	13,902	-	13,902
Interest	12,663	3,479	16,142
Other revenue	14,665	2,296	16,961
Total revenue	<u>4,194,647</u>	<u>690,803</u>	<u>4,885,450</u>
Expenditures			
General government	783,773	-	783,773
Public safety	2,101,427	-	2,101,427
Health and welfare	-	211,772	211,772
Public works	605,223	-	605,223
Recreation and culture	243,625	-	243,625
Other	400,523	700	401,223
Capital outlay	197,733	-	197,733
Debt service	-	545,000	545,000
Total expenditures	<u>4,332,304</u>	<u>757,472</u>	<u>5,089,776</u>
Net changes in fund balance	(137,657)	(66,669)	(204,326)
Fund balance, beginning of year	<u>341,829</u>	<u>540,975</u>	<u>882,804</u>
Fund balance, end of year	<u>\$ 204,172</u>	<u>\$ 474,306</u>	<u>\$ 678,478</u>

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2004

		Primary Government
Net change in fund balances - total governmental funds		\$ (204,326)
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	\$ (153,984)	
Capital outlay	221,580	67,596
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Payment in lieu of taxes	30,000	
Property taxes	(48,306)	(18,306)
Principal repayments of long-term debt is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.		
Repayments of long-term debt		510,961
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 compensated absences payable	(29,166)	
Change in accrued interest on bonds	13,600	(15,566)
Change in net assets of governmental activities		\$ 340,359

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities - Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 791	\$ 424,090	\$ 424,881
Certificate of deposit	23,131	9,362	32,493
Accounts receivable			
Water and sewer charges	-	412,681	412,681
Delinquent - tax roll	-	30,269	30,269
Inventories	-	21,592	21,592
Due from other funds	666,838	118,296	785,134
Total current assets	<u>690,760</u>	<u>1,016,290</u>	<u>1,707,050</u>
Restricted assets			
Cash and cash equivalents	3,469	70,421	73,890
Revenue bond debt service cash account	480,925	-	480,925
Cash and cash equivalents	186,705	144,680	331,385
Due from other funds	115,829	8,830	124,659
Assessments receivable			
Current	4,358	61,974	66,332
Deferred	51,270	210,863	262,133
Total restricted assets	<u>842,556</u>	<u>496,768</u>	<u>1,339,324</u>
Property, plant and equipment			
Land	4,156	1,750	5,906
Building and improvements	-	595,909	595,909
Mains, valves and hydrants	2,810,293	2,999,973	5,810,266
Main connections	-	199,611	199,611
Meter pits	-	11,555	11,555
Meters	-	74,694	74,694
Sewage treatment plant	784,678	-	784,678
Secondary treatment plant	984,036	-	984,036
Wastewater treatment plant	9,199,977	-	9,199,977
Pumping station	238,896	-	238,896
Vehicles	89,779	-	89,779
Equipment	248,376	148,312	396,688
	<u>14,360,191</u>	<u>4,031,804</u>	<u>18,391,995</u>
Less: accumulated depreciation	<u>(4,835,896)</u>	<u>(1,835,259)</u>	<u>(6,671,155)</u>
Net property, plant and equipment	<u>9,524,295</u>	<u>2,196,545</u>	<u>11,720,840</u>
Total assets	<u>\$ 11,057,611</u>	<u>\$ 3,709,603</u>	<u>\$ 14,767,214</u>

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities - Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 31,508	\$ 59,940	\$ 91,448
Due to other funds	44,233	666,838	711,071
Accrued expenses	57,799	41,991	99,790
Total current liabilities	<u>133,540</u>	<u>768,769</u>	<u>902,309</u>
Current liabilities payable from restricted funds			
Customer security deposits	2,534	70,546	73,080
Current portion of long-term debt	441,000	78,334	519,334
Due to other funds	1,000	2,454	3,454
Total current liabilities payable from restricted assets	<u>444,534</u>	<u>151,334</u>	<u>595,868</u>
Long-term debt			
Bonds payable, net of current portion	<u>4,709,000</u>	<u>476,163</u>	<u>5,185,163</u>
Total liabilities	<u>5,287,074</u>	<u>1,396,266</u>	<u>6,683,340</u>
Net Assets			
Unrestricted			
Other unrestricted	<u>5,770,537</u>	<u>2,313,337</u>	<u>8,083,874</u>
Total net assets	<u>\$ 5,770,537</u>	<u>\$ 2,313,337</u>	<u>\$ 8,083,874</u>

Charter Township of Buena Vista
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
Operating revenues			
Customer charges	\$ 563,819	\$ 1,012,911	\$ 1,576,730
Connection charges	19,658	54,801	74,459
Penalty income	-	40,212	40,212
Other revenue	1,206	6,134	7,340
Total operating revenues	<u>584,683</u>	<u>1,114,058</u>	<u>1,698,741</u>
Operating expenses			
Water purchases	-	407,438	407,438
Salaries and wages	220,517	151,861	372,378
Employee benefits	102,337	84,475	186,812
Office expense	16,181	14,461	30,642
Repairs and maintenance	44,100	46,853	90,953
Professional fees	24,801	11,647	36,448
Insurance	31,496	20,698	52,194
Equipment rental and gasoline expense	5,470	4,756	10,226
Utilities	113,875	13,664	127,539
Education and training	953	1,631	2,584
Operating supplies	54,439	363	54,802
Miscellaneous	3,196	9,781	12,977
Connections and readings	10,256	44,956	55,212
Depreciation	299,256	78,801	378,057
Communication	11,618	8,965	20,583
Uniform expense	4,498	248	4,746
Contractual services	171,621	117,005	288,626
Total operating expense	<u>1,114,614</u>	<u>1,017,603</u>	<u>2,132,217</u>
Operating income (loss)	<u>(529,931)</u>	<u>96,455</u>	<u>(433,476)</u>
Nonoperating revenues (expenses)			
Interest income	5,173	10,170	15,343
Debt service charges	497,187	-	497,187
Interest expense	(146,703)	(55,203)	(201,906)
Paying agent fees	(300)	(500)	(800)
Special assessment interest income	4,688	16,240	20,928
Total nonoperating revenues	<u>360,045</u>	<u>(29,293)</u>	<u>330,752</u>
Change in net assets	(169,886)	67,162	(102,724)
Net assets - beginning of year	<u>5,940,423</u>	<u>2,246,175</u>	<u>8,186,598</u>
Net assets - end of year	<u>\$ 5,770,537</u>	<u>\$ 2,313,337</u>	<u>\$ 8,083,874</u>

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2004

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 662,881	\$ 1,131,546	\$ 1,794,427
Payments to suppliers	(585,213)	(1,067,029)	(1,652,242)
Payments to employees	(220,517)	(151,861)	(372,378)
Other receipts	1,206	6,134	7,340
Net cash used by operating activities	<u>(141,643)</u>	<u>(81,210)</u>	<u>(222,853)</u>
Cash flows from capital and related financing activities			
Proceeds from special assessments	7,223	77,285	84,508
Proceeds from debt service charges	497,187	-	497,187
Purchases of capital assets	(242,830)	-	(242,830)
Principal, interest and fees paid on capital debt	(462,003)	(123,475)	(585,478)
Net cash used for capital and related financing activities	<u>(200,423)</u>	<u>(46,190)</u>	<u>(246,613)</u>
Cash flows from investing activities			
Interest revenue	5,265	10,403	15,668
Net cash provided by investing activities	<u>5,265</u>	<u>10,403</u>	<u>15,668</u>
Net decrease in cash and cash equivalents	<u>(336,801)</u>	<u>(116,997)</u>	<u>(453,798)</u>
Cash and cash equivalents - beginning of year	<u>1,008,691</u>	<u>756,188</u>	<u>1,764,879</u>
Cash and cash equivalents - end of year	<u>\$ 671,890</u>	<u>\$ 639,191</u>	<u>\$ 1,311,081</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (529,931)	\$ 96,455	\$ (433,476)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	299,256	78,801	378,057
Change in assets and liabilities			
Receivables	-	23,622	23,622
Inventories	-	10,982	10,982
Due from other funds	79,404	(69,176)	10,228
Accounts payable	(22,962)	(72,384)	(95,346)
Due to other funds	(23,457)	(189,608)	(213,065)
Accrued expenses	56,047	40,098	96,145
Net cash used by operating activities	<u>\$ (141,643)</u>	<u>\$ (81,210)</u>	<u>\$ (222,853)</u>

Charter Township of Buena Vista
Agency Funds
Statement of Fiduciary Assets and Liabilities
December 31, 2004

	Delinquent Tax Collection Fund	Current Tax Collection Fund 2003	Current Tax Collection Fund 2004	Payroll Fund	Total Agency Funds
Assets					
Cash and cash equivalents	\$ 66,659	\$ 80,353	\$ 909,424	\$ 37,841	\$ 1,094,277
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 658	\$ 658
Accrued and other liabilities	-	80,353	-	29,811	110,164
Due to other funds	14,843	-	500	6,408	21,751
Due to other units of government	51,816	-	908,924	964	961,704
Total liabilities	\$ 66,659	\$ 80,353	\$ 909,424	\$ 37,841	\$ 1,094,277

See Accompanying Notes to Financial Statements

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Buena Vista 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 Township:

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 and its component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are

excluded from the governmental-wide financial statements. Major individual governmental fund and the major enterprise funds are reported in separate columns in the fund financial statements.

Reporting entity

The Charter Township of Buena Vista is governed by an elected seven member Board. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component units

A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the Township is such that exclusion would cause the Township's financial statements to be misleading or incomplete. They are presented within the "component unit" column of the government-wide financial statements.

Downtown Development Authority (DDA) – The members of the governing board are appointed by the Township Board. The Authority's budget is subject to approval by the Township Board. The DDA does not issue any other form of financial statements except as contained in the Charter Township of Buena Vista's annual financial statements.

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

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General 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.

The Township reports the following Major Proprietary Funds:

- The Sewer Fund accounts for the cost of collection and treating waste waters.
- The Water Fund accounts for the costs of providing water services to Township residents.

Additionally, the Township reports the following:

Community Development Block Grant Special Revenue Fund – This fund handles all grant funding from restricted sources, and the related expenditures in conjunction with these projects.

Koehler Tile Drain Special Revenue Fund – The fund handles fund for special drain projects.

Public Safety and Community Center Debt Service Funds – These funds collect taxes and handle all payments of principal and interest on the fund's debt.

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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. Exceptions to this

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for water sales and services and sewage disposal. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 ad valorem tax is levied on December 1, 2003,

and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Charter Township of Buena Vista is \$227,370,160 on which ad valorem taxes levy consisted of 4.96185 mills for operating purposes, 2.0 mills for police and fire, 1.0 mill for public safety building debt service, and 1.0 mill for community center debt service and operation. These amounts are recognized in the General and Debt Service Fund financial statements as tax revenue.

Assets, liabilities and net assets or equity

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Receivables and payable – In general, outstanding balances between funds are reported as "due to/from other fund." 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.

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township began recording governmental infrastructure constructed on or after January 1, 2004 as allowed by GASB 34.

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

Land improvements	20 years
Building and building improvements	25 to 50 years
Utility systems	25 to 50 years
Other infrastructure	20 years
Vehicles	8 years
Heavy duty equipment	10 to 20 years
Machinery, furniture, and equipment	5 to 15 years
Computer equipment	5 years

Compensated absences – Each full time employee receives an allotted amount of sick, vacation and personal time each year, and can carry forward an unlimited amount of vacation, sick and personal time. All accumulated sick, vacation and personal pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

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.

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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of expenditures over appropriations

The Township incurred expenditures in excess of budget in the General Fund. Excess expenditures in these funds occurred in the following areas:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
General government	\$ 740,131	\$ 783,773	\$ 43,642
Recreation and culture	216,996	243,625	26,629
Capital outlay	2,200	197,733	195,533

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

Reserved fund balance

The Township has received state fund that are to be used for police training. As of December 31, 2004 this amounted to \$ 21,896.

Cash and
Cash
Equivalents

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers 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 any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of local unit 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 certificates of deposit, but not the remainder of State statutory authority as listed above.

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

Governmental activities	\$ 939,611
Business-type activities	1,343,574
Agency Funds	<u>1,094,277</u>
Total primary government	3,377,462
Component unit	<u>560,204</u>
Total	<u>\$ 3,937,666</u>

The breakdown of deposits is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 821,625	\$ 43,204
Cash in pooled funds and similar vehicles	2,548,157	517,000
Cash held at Saginaw County	5,085	-
Petty cash and cash on hand	<u>2,595</u>	<u>-</u>
Total	<u>\$ 3,377,462</u>	<u>\$ 560,204</u>

Deposits

At year end, the carrying amount of the Township's and its component unit deposits with financial institutions was \$864,829 and the bank balance was \$665,252. Of the bank balance, \$191,015 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized.

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

Investments

Township investments can be classified into three categories to give an indication of the level of risk assumed by the Township. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agency in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name.

The Township and its component unit have \$3,065,157 of investments which are not subject to categorization.

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, and the enterprise and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Total</u>
Accounts	\$ 120,271	\$ -	\$ 442,950	\$ -	\$ 563,221
Taxes	1,632,000	-	-	468,000	2,100,000
Special assessments	-	55,628	272,837	-	328,465
Intergovernmental	<u>343,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,349</u>
Gross receivables	<u>\$ 2,095,620</u>	<u>\$ 55,628</u>	<u>\$ 715,787</u>	<u>\$ 468,000</u>	<u>\$ 3,335,035</u>
Due within one year	\$ 2,095,620	\$ 4,358	\$ 504,924	\$ 468,000	\$ 3,072,902
Due after one year	<u>-</u>	<u>51,270</u>	<u>210,863</u>	<u>-</u>	<u>262,133</u>
	<u>\$ 2,095,620</u>	<u>\$ 55,628</u>	<u>\$ 715,787</u>	<u>\$ 468,000</u>	<u>\$ 3,335,035</u>

The allowance for all receivables at year end is zero, because all is expected to be collected.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Payments in lieu of taxes	\$ 30,000	\$ -
Deferred taxes	<u>-</u>	<u>2,101,694</u>
Total	<u>\$ 30,000</u>	<u>\$ 2,101,694</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Total capital assets not being depreciated	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Capital assets being depreciated				
Buildings	3,965,091	-	-	3,965,091
Equipment	573,524	150,252	-	723,776
Vehicles	<u>377,900</u>	<u>71,328</u>	<u>-</u>	<u>449,228</u>
Total capital assets being depreciated	<u>4,916,515</u>	<u>221,580</u>	<u>-</u>	<u>5,138,095</u>
Less accumulated depreciation for				
Buildings	585,823	71,372	-	657,195
Equipment	227,220	41,809	-	269,029
Vehicles	<u>260,328</u>	<u>40,803</u>	<u>-</u>	<u>301,131</u>
Accumulated depreciation	<u>1,073,371</u>	<u>153,984</u>	<u>-</u>	<u>1,227,355</u>
Net capital assets being depreciated	<u>3,843,144</u>	<u>67,596</u>	<u>-</u>	<u>3,910,740</u>
Governmental activities capital assets, net	<u>\$ 3,903,144</u>	<u>\$ 67,596</u>	<u>\$ -</u>	<u>\$ 3,970,740</u>

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 5,906	\$ -	\$ -	\$ 5,906
Construction in progress	<u>169,168</u>	<u>-</u>	<u>169,168</u>	<u>-</u>
Total capital assets not being depreciated	<u>175,074</u>	<u>-</u>	<u>169,168</u>	<u>5,906</u>
Capital assets being depreciated				
Buildings and plants	11,564,599	-	-	11,564,599
Improvements other than buildings	5,849,308	410,967	-	6,260,275
Equipment	<u>561,215</u>	<u>-</u>	<u>-</u>	<u>561,215</u>
Total capital assets being depreciated	<u>17,975,122</u>	<u>410,967</u>	<u>-</u>	<u>18,386,089</u>
Less accumulated depreciation for				
Buildings and plants	3,071,660	260,864	-	3,332,524
Improvements other than buildings	2,694,725	105,871	-	2,800,596
Equipment	<u>526,713</u>	<u>11,322</u>	<u>-</u>	<u>538,035</u>
Accumulated depreciation	<u>6,293,098</u>	<u>378,057</u>	<u>-</u>	<u>6,671,155</u>
Net capital assets being depreciated	<u>11,682,024</u>	<u>32,910</u>	<u>-</u>	<u>11,714,934</u>
Business-type capital assets, net	<u>\$ 11,857,098</u>	<u>\$ 32,910</u>	<u>\$ 169,168</u>	<u>\$ 11,720,840</u>

Depreciation expense was charged to programs of the primary government as follows:

Government activities	
General government	\$ 40,171
Public safety	89,711
Public works	<u>24,102</u>
Total governmental activities	<u>\$ 153,984</u>
Business-type activities	
Water	\$ 78,801
Sewer	<u>299,256</u>
Total business-type activities	<u>\$ 378,057</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Due to/from other funds

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Purpose</u>
<u>Fund</u>	<u>Fund</u>		
General Fund	Sewer Fund	\$ 45,233	Interfund expenses
	Water Fund	2,454	Interfund expenses
	Delinquent Tax Fund	11,979	Undistributed taxes
	Current Tax Fund	500	Undistributed taxes
	Payroll Fund	6,408	Excess contribution
	Community Development		
	Block Grant Fund	741	Interfund expenses
	Public Safety Building Fund		Interfund expenses
	Community Center Fund	291	Interfund expenses
	Koehler Drain Fund	300	Interfund expenses
Community Development			
Block Grant	General Fund	168,018	Reimburse deposit
Public Safety Building	General Fund	17,843	Interfund expenses
	Delinquent Tax Fund	1,432	Undistributed taxes
Community Center	General Fund	18,153	Interfund expenses
	Delinquent Tax Fund	1,432	Undistributed taxes
Sewer Fund	General Fund	115,829	Interfund expenses
	Water Fund	666,838	Revenue collections
Water Fund	General Fund	<u>127,126</u>	Interfund expenses
		<u>\$ 1,184,577</u>	

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

NOTE 7 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the Township) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity is summarized as follows:

	Maturity Dates	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities								
Installment loans								
Public Safety Building	11/15/05	6.65%	\$274,948	\$ 481,945	\$ -	\$ 231,746	\$ 250,199	\$ 250,199
Community Center	5/15/05	6.90%	\$250,199	524,166	-	249,218	274,948	274,948
Fire Apparatus	5/25/12	4.57%	\$29,992	269,932	-	29,997	239,935	29,992
Compensated absences				<u>234,425</u>	<u>29,166</u>	<u>-</u>	<u>263,591</u>	<u>263,591</u>
				<u>\$ 1,510,468</u>	<u>\$ 29,166</u>	<u>\$ 510,961</u>	<u>\$ 1,028,673</u>	<u>\$ 818,730</u>
Business-type activities								
Limited tax obligation bonds								
1999 Sewage disposal system	10/1/18	4.60% - 5.40%	\$10,000 - \$25,000	\$ 245,000	\$ -	\$ 10,000	\$ 235,000	\$ 10,000
1993 Sewage disposal system	10/1/13	2.00%	\$220,000 - \$255,000	2,365,000	-	220,000	2,145,000	220,000
General obligation bonds								
1994 Sewage disposal system	10/1/16	2.00%	\$200,000 - \$245,000	2,855,000	-	195,000	2,660,000	200,000
1989 Water improvement	5/1/09	3.00% - 7.10%	\$50,000 - \$75,000	375,000	-	50,000	325,000	50,000
1995 Watermain extension	5/5/10	5.55%	\$16,830 - \$22,000	161,830	-	21,000	140,830	22,000
Installment loans								
Effluent pumps	5/1/14	3.88%	\$11,000	-	110,000	-	110,000	11,000
2003 Watermain extension	5/1/18	4.20%	\$6,333 - \$6,334	<u>95,000</u>	<u>-</u>	<u>6,333</u>	<u>88,667</u>	<u>6,334</u>
				<u>\$ 6,096,830</u>	<u>\$ 110,000</u>	<u>\$ 502,333</u>	<u>\$ 5,704,497</u>	<u>\$ 519,334</u>

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

Annual debt service requirements to maturity for the above bond obligations are as follows:

Year Ended June 30	Principal	Interest
2005	\$ 502,000	\$ 133,812
2006	509,000	120,206
2007	545,000	105,466
2008	551,000	89,758
2009	567,000	75,426
2010-2014	2,246,830	210,688
2015-2018	<u>585,000</u>	<u>27,976</u>
Total	<u>\$ 5,505,830</u>	<u>\$ 763,332</u>

Installment loans

The Township has obtained installment loans to finance building construction and purchase operating equipment. Annual debt service requirements to maturity are as follows:

Year Ended June 30	Principal	Interest
2005	\$ 572,473	\$ 50,154
2006	47,325	16,894
2007	47,325	14,830
2008	47,326	12,767
2009	47,325	10,704
2010-2014	176,643	23,936
2015-2018	<u>25,332</u>	<u>2,660</u>
Total	<u>\$ 963,749</u>	<u>\$ 131,945</u>

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Township has purchased commercial insurance for all employee health care and workers' compensation claims. Settled claims relating to the commercial insurance has not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township is self insured for vision insurance through Mutual Eye Claim Audits, Inc. (MECA). This plan covers all full time employees and their families once that employee has completed 30 days of employment. The plan covers all customary examinations, and lenses. The plan pays up to \$75 for frames or up to \$170 for contact lenses. Adult participants may make claims once in every twenty-four consecutive months, and children may make claims once every twelve consecutive months. The cost for the year ended December 31, 2004 was \$8,004.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiations with the Township’s competitive bargaining units. The plan is funded entirely by the Township for both General, Police, and Fire employees.

Annual Pension Costs – For year ended December 31, 2004, the Charter Township of Buena Vista’s annual pension cost of \$ 185,152 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2003 follows:

	2003	2002	2001
Annual pension cost	\$ 132,488	\$ 140,428	\$ 66,239
Percentage of APC contributed	100%	100%	100%
Net pension obligation	6,235,810	5,236,063	4,373,198
Actuarial value of assets	4,968,733	4,565,223	4,284,809
Actuarial accrued liability (AAL)	6,235,810	5,236,063	4,373,198
Unfunded AAL	1,267,077	670,840	88,389
Funded ratio	80%	87%	98%
Covered payroll	1,870,345	1,911,360	1,596,424
UAAL as a percentage of covered payroll	68%	35%	6%

NOTE 10 – DEFERRED COMPENSATION PLAN

The Township offers all its full time employees a deferred compensation plan created in accordance with the Internal Revenue

Code, section 457. The assets of the plan were held in trust, as described in IRC section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township for the purpose of providing direction to the custodian of the custodial account from time to time for the investment of funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township’s general purpose financial statements.

NOTE 11 – POST-EMPLOYMENT BENEFITS

The Township currently provides post-employment health insurance benefits to qualified retired employees through age 65, at which time the Township provides supplemental insurance coverage to Medicare. The cost of these benefits is paid by the Township and is funded on a pay-as-you-go basis. The Township’s cost of providing the health insurance benefits to retirees for 2004 was approximately \$27,738. There were six participants at December 31, 2004.

NOTE 12 - ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*. The Charter Township of Buena Vista has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement both the general provisions of the statement and the prospective reporting of

Charter Township of Buena Vista
Notes to Financial Statements
December 31, 2004

the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets includes assets not previously accounted for by the Township as well as assets totaling approximately \$5.0 million that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at January 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$3.5 million to reflect the historical cost and accumulated depreciation of the Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling \$765,082 previously reported in the General Long-Term Debt Account Group.

Charter Township of Buena Vista
Required Supplemental Information
Statement of Revenues and Expenditures Compared to Final Budget
General Fund
Year Ended December 31, 2004

	Original and Final Budget	Actual	Actual Over (under) Final Budget
Revenues			
Taxes	\$ 1,826,283	\$ 1,787,870	\$ (38,413)
Licenses and permits	156,720	238,977	82,257
Federal grants	22,000	89,625	67,625
State grants	1,052,908	1,126,909	74,001
County grants	6,600	6,600	-
Charges for services	877,138	903,436	26,298
Fines and forfeits	14,600	13,902	(698)
Interest	10,000	12,663	2,663
Other revenue	23,680	14,665	(9,015)
Total revenue	<u>3,989,929</u>	<u>4,194,647</u>	<u>204,718</u>
Expenditures			
General government	740,131	783,773	43,642
Public safety	2,111,871	2,101,427	(10,444)
Public works	746,694	605,223	(141,471)
Recreation and culture	216,996	243,625	26,629
Other	407,260	400,523	(6,737)
Capital outlay	2,200	197,733	195,533
Total expenditures	<u>4,225,152</u>	<u>4,332,304</u>	<u>107,152</u>
Net change in fund balance	(235,223)	(137,657)	97,566
Fund balance - beginning of year	<u>341,829</u>	<u>341,829</u>	<u>-</u>
Fund balance - end of year	<u>\$ 106,606</u>	<u>\$ 204,172</u>	<u>\$ 97,566</u>

**Charter Township of Buena Vista
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Community Development Block Grant Special Revenue Fund	Koehler Tile Drain Special Revenue Fund	Public Safety Debt Service Fund	Community Center Debt Service Fund	Total
Assets					
Cash and cash equivalents	\$ 2,435	\$ 147,666	\$ 31,632	\$ 256,739	\$ 438,472
Taxes receivable	-	-	234,000	234,000	468,000
Due from other funds	168,018	-	19,275	19,585	206,878
	<u>170,453</u>	<u>147,666</u>	<u>284,907</u>	<u>510,324</u>	<u>1,113,350</u>
Total assets	\$ 170,453	\$ 147,666	\$ 284,907	\$ 510,324	\$ 1,113,350
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 168,018	\$ -	\$ -	\$ -	\$ 168,018
Due to other funds	741	300	-	291	1,332
Deferred revenue	1,694	-	234,000	234,000	469,694
	<u>170,453</u>	<u>300</u>	<u>234,000</u>	<u>234,291</u>	<u>639,044</u>
Total liabilities	170,453	300	234,000	234,291	639,044
Fund balance					
Unreserved	-	147,366	-	-	147,366
Reserved for debt service	-	-	50,907	276,033	326,940
	<u>-</u>	<u>147,366</u>	<u>50,907</u>	<u>276,033</u>	<u>474,306</u>
Total fund balance	-	147,366	50,907	276,033	474,306
Total liabilities and fund balance	\$ 170,453	\$ 147,666	\$ 284,907	\$ 510,324	\$ 1,113,350

Charter Township of Buena Vista
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Community Development Block Grant Special Revenue Fund	Koehler Tile Drain Special Revenue Fund	Public Safety Debt Service Fund	Community Center Debt Service Fund	Total
Revenues					
Taxes - current	\$ -	\$ -	\$ 236,036	\$ 235,868	\$ 471,904
Taxes - delinquent	-	-	1,782	1,866	3,648
Federal grants	209,476	-	-	-	209,476
Other	2,296	-	-	-	2,296
Interest	-	1,478	306	1,695	3,479
Total revenues	211,772	1,478	238,124	239,429	690,803
Expenditures					
Health and welfare	211,772	-	-	-	211,772
Other	-	-	350	350	700
Debt service	-	-	265,000	280,000	545,000
Total expenditures	211,772	-	265,350	280,350	757,472
Net change in fund balance	-	1,478	(27,226)	(40,921)	(66,669)
Fund balance - beginning of year	-	145,888	78,133	316,954	540,975
Fund balance - end of year	<u>\$ -</u>	<u>\$ 147,366</u>	<u>\$ 50,907</u>	<u>\$ 276,033</u>	<u>\$ 474,306</u>

Charter Township of Buena Vista
Other Supplemental information
Balance Sheet
General Fund
December 31, 2004

Assets

Cash and cash equivalents	\$ 501,139
Accounts receivable	120,271
Taxes receivable	1,632,000
Due from other funds	67,906
Due from other governmental units	343,349
Prepaid expenses	<u>36,928</u>
 Total assets	 <u><u>\$ 2,701,593</u></u>

Liabilities and Fund Balance

Liabilities	
Accounts payable	\$ 133,949
Deferred revenue	1,662,000
Accrued payroll	32,490
Due to other funds	446,969
Due to other governmental units	<u>222,013</u>
 Total liabilities	 <u>2,497,421</u>
 Fund balance	 <u>204,172</u>
 Total liabilities and fund balance	 <u><u>\$ 2,701,593</u></u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Revenues
General Fund
Year Ended December 31, 2004

Taxes	
Current property	\$ 1,620,987
Delinquent property	14,524
Payment in lieu of taxes	27,723
Administration fee	115,443
Interest and penalty	2,331
Mobile home	<u>6,862</u>
Total taxes	<u>1,787,870</u>
Licenses and permits	
Business	11,913
Cable television	70,555
Building and electrical	136,630
Plumbing and mechanical	19,713
Other	<u>166</u>
Total licenses and permits	<u>238,977</u>
Federal grants	<u>89,625</u>
State grants	
State shared revenue	1,120,740
Liquor licenses	<u>6,169</u>
Total state grants	<u>1,126,909</u>
County grant	<u>6,600</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Revenues
General Fund
Year Ended December 31, 2004

Charges for services	
Rubbish collection	\$ 408,458
Police and fire fees	5,826
Street lighting	55,058
Chipping and brush removal	52,260
Sale of assets	12,487
Weed cutting	5,665
Community center membership fees	62,657
Park fees	3,250
Administrative fees - other funds	283,000
Other charges for services	<u>14,775</u>
Total charges for services	<u>903,436</u>
Fines and forfeits	<u>13,902</u>
Interest	<u>12,663</u>
Other revenue	
Miscellaneous	<u>14,665</u>
Total other revenue	<u>14,665</u>
Total revenues	<u><u>\$ 4,194,647</u></u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Township board		
Salaries	\$	13,221
Benefits		17,160
Education and training		350
Other		<u>193</u>
Total township board		<u>30,924</u>
 Township supervisor		
Salaries		18,500
Benefits		3,030
Education and training		387
Other		<u>287</u>
Total township supervisor		<u>22,204</u>
 Township manager		
Salaries		188,795
Benefits		55,649
Education and training		247
Office		232
Public relations		4,352
Gasoline		3,300
Other		<u>22,524</u>
Total township manager		<u>275,099</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Elections		
Salaries	\$	28,428
Benefits		11,074
Contractual		2,250
Other		933
		<hr/>
Total elections		42,685
		<hr/>
Assessor		
Education and training		215
Office		1,373
Contracted services		45,660
Other		1,243
		<hr/>
Total assessor		48,491
		<hr/>
Attorney		45,520
		<hr/>
Clerk		
Salaries		24,793
Benefits		11,798
Education and training		1,877
Office		1,488
Other		114
		<hr/>
Total clerk		40,070
		<hr/>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Fiscal services	
Salaries	\$ 91,068
Benefits	35,101
Education and training	279
Contracted services	<u>13,230</u>
Total fiscal services	<u>139,678</u>
Board of review	
Salaries	550
Other	<u>90</u>
Total board of review	<u>640</u>
Treasurer	
Salaries	47,877
Benefits	20,501
County services	17,526
Education and training	40
Office	422
Other	<u>313</u>
Total treasurer	<u>86,679</u>
Data processing	
Contractual	36,833
Insurance	332
Supplies	<u>2,335</u>
Total data processing	<u>39,500</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Township hall and grounds	\$	4,017
Operating supplies		5,019
Contractual services		487
Insurance		2,242
Repairs and maintenance		<u>11,765</u>
Total township hall and grounds		<u>11,765</u>
 Cemetery		
Building and grounds maintenance		<u>518</u>
 Police		
Salaries		732,961
Benefits		324,151
Communications		875
Contractual services		20,859
Education and training		523
Gasoline		20,368
Insurances		27,552
Office		2,590
Operating supplies		2,600
Printing		610
Repairs and maintenance		631
Uniforms		4,138
Other		<u>2,326</u>
Total police		<u>1,140,184</u>

**Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004**

Fire protection		
Salaries	\$	489,113
Benefits		188,670
Communications		2,475
Contractual services		2,545
Dues and subscriptions		615
Education and training		2,628
Gasoline		6,105
Insurance		1,851
Medical		306
Office		2,589
Operating supplies		8,440
Other		3,549
Repairs and maintenance - building		323
Repairs and maintenance - equipment		718
Uniforms		4,052
Debt service		
Principal		29,992
Interest		12,328
Total fire protection		<u>756,299</u>
Community development		
Salaries		99,358
Benefits		31,774
Contractual		47,165
Education and training		544
Office		1,369
Printing		754
Demolition and cleanup		19,237
Other		265
Total community development		<u>200,466</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Planning commission	
Salaries	\$ 2,020
Dues and subscriptions	640
Printing	713
Total planning commission	<u>3,373</u>
Zoning board of appeals	<u>1,105</u>
Department of public works	
Salaries	71,126
Benefits	48,012
Drains-at-large	15,439
Gasoline	7,324
Insurance	30,806
Office	477
Other	1,249
Repairs and maintenance - equipment	40,415
Repairs and maintenance - building	265
Roads	1,594
Rubbish collection	383,639
Uniforms	4,877
Total department of public works	<u>605,223</u>
Parks and recreation	
Salaries	158,028
Benefits	40,328
Insurance	2,898
Education and training	1,243
Office	5,702
Operating supplies	25,038
Repairs and maintenance - building	9,999
Other	389
Total parks and recreation	<u>243,625</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Expenditures
General Fund
Year Ended December 31, 2004

Senior citizens program		\$ 14,626
Non-departmental		
Accounting and auditing		13,400
Property tax adjustments		9,452
Bank charges		9,339
Clean Water Authority		10,344
Contractual		34,314
Insurance		50,690
Membership dues		6,919
Office		8,417
Copier		2,133
Postage		8,176
Communications		31,298
Printing		1,982
Rent expense		583
Unemployment		43,756
Street lighting		54,939
Utilities		96,629
Other		3,526
Total non-departmental		<u>385,897</u>
Capital outlay		
Data processing		7,182
Police		34,518
Fire		66,181
Non-departmental		89,852
Total capital outlay		<u>197,733</u>
Total expenditures		<u><u>\$ 4,332,304</u></u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Indebtedness
December 31, 2004

	Date of Issue	Original Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity	Outstanding December 31, 2004
Installment sale agreements						
Community Center	1996	\$ 1,525,000	6.65%	11/15/05	\$ 274,948	\$ 274,948
Public Safety Building	1996	1,704,000	6.90%	5/01/05	250,199	250,199
Fire Apparatus	7/19/02	299,924	4.57%	5/25/05	29,992	29,992
				5/25/06	29,992	29,992
				5/25/07	29,993	29,992
				5/25/08	29,992	29,992
				5/25/09	29,993	29,992
				5/25/10	29,992	29,992
				5/25/11	29,992	29,992
				5/25/12	29,993	29,991
						<u>239,935</u>
Total installment sale agreements						<u>\$ 765,082</u>
Enterprise Funds						
Sewage Disposal System	10/1/93	5,620,000	2.00%	10/1/05	220,000	\$ 220,000
				10/1/06	225,000	225,000
				10/1/07	230,000	230,000
				10/1/08	230,000	230,000
				10/1/09	240,000	240,000
				10/1/10	245,000	245,000
				10/1/11	250,000	250,000
				10/1/12	250,000	250,000
				10/1/13	255,000	255,000
						<u>2,145,000</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Indebtedness
December 31, 2004

	Date of Issue	Original Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity	Outstanding December 31, 2004
Enterprise Funds						
Sewage Disposal System - Phase II	9/29/94	\$ 4,570,000	2.00%	10/1/05	\$ 200,000	\$ 200,000
				10/1/06	200,000	200,000
				10/1/07	205,000	205,000
				10/1/08	210,000	210,000
				10/1/09	215,000	215,000
				10/1/10	220,000	220,000
				10/1/11	225,000	225,000
				10/1/12	230,000	230,000
				10/1/13	235,000	235,000
				10/1/14	235,000	235,000
				10/1/15	240,000	240,000
				10/1/16	245,000	245,000
						2,660,000
Sewer & Wastewater Treatment Plant Phase II (Limited Tax General Obligation)	1/1/98	275,000	4.60%	10/1/05	10,000	10,000
			4.70%	10/1/06	10,000	10,000
			4.75%	10/1/07	10,000	10,000
			4.80%	10/1/08	10,000	10,000
			4.90%	10/1/09	10,000	10,000
			5.00%	10/1/10	10,000	10,000
			5.05%	10/1/11	15,000	15,000
			5.10%	10/1/12	15,000	15,000
			5.15%	10/1/13	20,000	20,000
			5.20%	10/1/14	25,000	25,000
			5.25%	10/1/15	25,000	25,000
			5.30%	10/1/16	25,000	25,000
			5.35%	10/1/17	25,000	25,000
			5.40%	10/1/18	25,000	25,000
						235,000

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Indebtedness
December 31, 2004

	Date of Issue	Original Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity	Outstanding December 31, 2004
Enterprise Funds						
Installment Purchase Agreement - Effluent Pumps	5/3/04	\$ 110,000	3.88%	5/1/05	\$ 11,000	\$ 11,000
				5/1/06	11,000	11,000
				5/1/07	11,000	11,000
				5/1/08	11,000	11,000
				5/1/09	11,000	11,000
				5/1/10	11,000	11,000
				5/1/11	11,000	11,000
				5/1/12	11,000	11,000
				5/1/13	11,000	11,000
				5/1/14	11,000	11,000
						<u>110,000</u>
1989 Water Improvement General Obligation Bonds	8/29/89	1,050,000	7.00%	5/1/05	50,000	50,000
			7.10%	5/1/06	50,000	50,000
			7.10%	5/1/07	75,000	75,000
			6.625%	5/1/08	75,000	75,000
			3.00%	5/1/09	75,000	75,000
						<u>325,000</u>

Charter Township of Buena Vista
Other Supplemental Information
Schedule of Indebtedness
December 31, 2004

	Date of Issue	Original Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity	Outstanding December 31, 2004
Enterprise Funds						
Portsmouth/Krabe/ Munger Watermain	11/15/95	\$ 313,858	5.55%	5/5/05	\$ 22,000	\$ 22,000
				5/5/06	24,000	24,000
				5/5/07	25,000	25,000
				5/5/08	26,000	26,000
				5/5/09	27,000	27,000
				5/5/10	16,830	16,830
						140,830
Airport Janes Road Water Extension	5/1/03	95,000	4.20%	5/1/05	6,334	6,334
				5/1/06	6,333	6,333
				5/1/07	6,333	6,333
				5/1/08	6,334	6,334
				5/1/09	6,333	6,333
				5/1/10	6,333	6,333
				5/1/11	6,334	6,334
				5/1/12	6,333	6,333
				5/1/13	6,333	6,333
				5/1/14	6,334	6,334
				5/1/15	6,333	6,333
				5/1/16	6,333	6,333
				5/1/17	6,334	6,334
				5/1/18	6,333	6,333
						88,667
Total Enterprise Funds						\$ 5,704,497



3023 Davenport
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Township Board
Charter Township of Buena Vista, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Buena Vista as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 13, 2005. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Buena Vista's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Charter Township of Buena Vista's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in our comments and recommendations letter to management.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

In planning and performing our audit, we considered the Charter Township of Buena Vista's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Buena Vista's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

April 13, 2005



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April 13, 2005

The Township Board
Charter Township of Buena Vista
Saginaw, Michigan

In planning and performing our audit of the general purpose financial statements of the Charter Township of Buena Vista for the year ended December 31, 2004, we considered the Township's internal control system to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and increasing operating efficiency. The following paragraphs summarize our comments and recommendations regarding those matters. This letter does not affect our report dated April 13, 2005, on the general purpose financial statements of the Charter Township of Buena Vista.

The following is a listing of the comments from the previous year. Their status for the current year follows.

SPECIAL ASSESSMENTS

Over the past several years, many of the special assessment districts had fully collected all of the assessments and paid off the related debt. State statute mandates the refunding of these completed assessments if the remainder exceeds 5% of the original cost.

Management has continued to take action on some of the smaller special assessments, but we continue to recommend that management move forward on the proper disposition of excess funds of completed special assessments.

WATER/SEWER BILLING SYSTEM

In reviewing the internal control in the water department, we found that water department staff can make changes to customer accounts without any form of approval. This includes payments received, charges, and usage entry into the billing system. When one person enters the data, makes adjustments/modifications, and posts receipt information, this allows the person entire access and control over all functions of the system. This is a serious deficiency in the internal control system in the water department.

We strongly recommend that all modifications made be approved or reviewed by the appropriate supervisor and that further internal control analysis be performed. There is currently a process outside of the computer system requiring approval of write offs and modifications, but there is nothing to prevent an override of these controls from occurring.

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RECORD STORAGE AND RETENTION SYSTEM

The Township does not have a system in place to keep track of what is transferred to storage and which box the information is put in. The Township needs to set up a system whereby a master listing is maintained of all files transferred to storage. Boxes should be numbered and a listing made of what is included in each box. This can be kept on the computer and updated as necessary. Also, a system should be developed as to when information in storage can be disposed of.

VOUCHERS PAYABLE

Currently, the vouchers payable account is maintained as a running balance and at no point is a listing of vouchers payable available through the general ledger. Although improvements have been made in the current year, we would still like to see this account reconciled more frequently than it has been in the past.

Comments for the current year:

TAX PAYMENTS

As of December 31, 2004, the 2003 Current Tax Fund still held over \$80,000 of undistributed tax money. This account should have been fully distributed when the Township settlement with the Saginaw County Treasurer in the summer of 2004. We understand that this was complicated by the fact that both Saginaw County and the Township collected and disbursed taxes during the period of collection.

We recommend that management reconcile the remaining balance and pay out these funds to the appropriate entities and funds in compliance with state requirements.

TRAILER PARK FEES

In the current year, we noted that fees collected for trailer park fees had not being distributed to the schools and to Saginaw County as it had been done in the past. We recommend that management monitor these fees and make sure that they are paid out on a monthly basis to the proper entities.

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BUILDING PERMITS

During our review of internal controls, we noted that there are inadequate procedures in place for the cash collections of building and similar permits. The same Township staff that issues the permit collects the money, and then takes it to the Treasurer's Department for deposit. The permits are not pre-numbered and, therefore, there is no way of tracking permits until it is issued by the staff member.

Although we found no issues related to missing funds, we feel that in order to protect assets in the future management should review the flow of information from these permits to the financial records. In addition, we suggest that the permits issued for new construction or major renovation be traced to the assessing records to make sure that the proper tax values are being updated.

Again this year, we noted significant improvement in the handling of the Township's financial records and, more importantly, the Township financial records are as current as they have been in many years.

We would like to thank Mr. Williams and Mr. Bailey for their assistance provided during this years audit. If you have questions or concerns regarding the comments or assistance in implementation of them, please feel free to contact myself at your convenience. We will review the status of our comments at our next engagement and, as always, please feel free to contact us if you would like assistance in resolving any of our recommendations.

We appreciate the opportunity to serve the Charter Township of Buena Vista.

Very truly yours,

Yeo & Yeo, P.C.
CPAs and Business Consultants



David R. Youngstrom, CPA