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RECEIVED
DEPT OF TREASURY
AUG 16 2004
LOCAL AUDIT & FINANCE DIV.

Spaulding Township

Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2004

REHMANN ROBSON

Certified Public Accountants

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	SPAULDING TOWNSHIP	SAGINAW

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	5/13/04	

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

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We affirm that:

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

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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

Certified Public Accountant (Firm Name)			
REHMANN ROBSON			
Street Address	City	State	ZIP
5800 GRATIOT, SUITE 201	SAGINAW	MI	48605
Accountant Signature		Date	
		7/15/04	

SPAULDING TOWNSHIP

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REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

May 13, 2004

To the Township Board
Spaulding Township
Saginaw, Michigan

We have audited the accompanying general purpose financial statements of ***Spaulding Township***, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of ***Spaulding Township's*** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of ***Spaulding Township*** as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2004 on our consideration of ***Spaulding Township's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

5800 Gratiot • Suite 201 • P.O. Box 2025 • Saginaw, MI 48605 • 989.799.9580 • Fax 989.799.0227 • www.rehmann.com

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

Rehmann Robson

SPAULDING TOWNSHIP

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE
ASSETS	GENERAL	SPECIAL REVENUE	ENTERPRISE
Cash and cash equivalents	$ 299,117	$ 99,709	$ 392,395
Cash at County	-	-	1,547
Investments	-	4,000	-
Taxes receivable - delinquent	7,844	7,408	-
Special assessments receivable	18,619	99,107	517,491
Accounts receivable - water billings	-	-	63,307
Accounts receivable - other	290	480	84
Due from other funds	14,254	-	-
Due from State	23,732	-	-
Inventory, at cost	-	-	4,312
Prepaid items	-	-	19,346
Restricted assets - cash and cash equivalents	4,551	-	-
Fixed assets - net of accumulated depreciation (where applicable)	-	-	1,709,643
Amount to be provided for retirement of general long-term debt	-	-	-
TOTAL ASSETS	$ 368,407	$ 210,704	$ 2,708,125
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	$ 15,342	$ 2,868	$ 8,258
Accrued liabilities	13,613	2,958	4,592
Customer advance deposits	4,846	-	-
Due to other funds	-	-	14,254
Due to others	-	-	-
Deferred revenue	-	104,307	-
Contracts payable	-	-	699,000
TOTAL LIABILITIES	33,801	110,133	726,104
FUND EQUITY			
Contributed capital			
Investment in general fixed assets	-	-	1,522,002
Retained earnings:	-	-	-
Unreserved			
Fund balances:	-	-	460,019
Designated for subsequent years' expenditures	24,190	38,645	-
Unreserved - undesignated	310,416	61,926	-
TOTAL FUND EQUITY	334,606	100,571	1,982,021
TOTAL LIABILITIES AND FUND EQUITY	$ 368,407	$ 210,704	$ 2,708,125

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

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		
TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
$ 4,225	$ -	$ -	$ 795,446
-	-	-	1,547
-	-	-	4,000
-	-	-	15,252
-	-	-	635,217
-	-	-	63,307
-	-	-	854
-	-	-	14,254
-	-	-	23,732
-	-	-	4,312
-	-	-	19,346
-	-	-	4,551
-	1,443,920	-	3,153,563
-	-	51,870	51,870
$ 4,225	$ 1,443,920	$ 51,870	$ 4,787,251
$ -	$ -	$ -	$ 26,468
4,224	-	-	25,387
-	-	-	4,846
-	-	-	14,254
1	-	-	1
-			104,307
-	-	51,870	750,870
4,225	-	51,870	926,133
-	-	-	1,522,002
-	1,443,920	-	1,443,920
-	-	-	460,019
-	-	-	62,835
-	-	-	372,342
-	1,443,920	-	3,861,118
$ 4,225	$ 1,443,920	$ 51,870	$ 4,787,251

SPAULDING TOWNSHIP

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

FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
REVENUES			
Taxes	$ 56,997	$ 66,317	$ 123,314
Special assessments	125,271	21,741	147,012
Licenses and permits	49,581	-	49,581
Intergovernmental revenue:			
State grants	188,206	-	188,206
Local grants	-	65,824	65,824
Charges for services	5,115	-	5,115
Fines and forfeitures	34	-	34
Rent	10,439	-	10,439
Refunds and reimbursements	12,538	4,752	17,290
Interest	2,768	1,114	3,882
Other	18,281	3,973	22,254
TOTAL REVENUES	469,230	163,721	632,951
EXPENDITURES			
General government	263,822	-	263,822
Public safety	-	160,461	160,461
Public works:			
Department of public works	-	35,528	35,528
Highways and streets	74,056	-	74,056
Sanitation	97,245	-	97,245
Debt service	28,541	-	28,541
TOTAL EXPENDITURES	463,664	195,989	659,653
REVENUES OVER (UNDER) EXPENDITURES	5,566	(32,268)	(26,702)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	34,325	34,325
Operating transfer (out)	(34,325)	-	(34,325)
TOTAL OTHER FINANCING SOURCES (USES)	(34,325)	34,325	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(28,759)	2,057	(26,702)
FUND BALANCE, BEGINNING OF YEAR	363,365	98,514	461,879
FUND BALANCE, END OF YEAR	$ 334,606	$ 100,571	$ 435,177

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

SPAULDING TOWNSHIP

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

FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	$ 76,000	$ 56,997	$ (19,003)
Special assessments	136,665	125,271	(11,394)
Licenses and permits	47,430	49,581	2,151
Intergovernmental revenue:			
State grants	210,700	188,206	(22,494)
Local grants	-	-	-
Charges for services	3,000	5,115	2,115
Fines and forfeits	-	34	34
Rent	13,500	10,439	(3,061)
Refunds and reimbursements	3,500	12,538	9,038
Interest	5,500	2,768	(2,732)
Other	14,400	18,281	3,881
TOTAL REVENUES	510,695	469,230	(41,465)
EXPENDITURES			
General government	269,230	263,822	5,408
Public safety	-	-	-
Public works:			
Department of public works	-	-	-
Highways and streets	45,000	74,056	(29,056)
Sanitation	103,100	97,245	5,855
Debt service	28,600	28,541	59
TOTAL EXPENDITURES	445,930	463,664	(17,734)
REVENUES OVER (UNDER) EXPENDITURES	64,765	5,566	(59,199)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	-	-
Operating transfer (out)	-	(34,325)	(34,325)
TOTAL OTHER FINANCING SOURCES (USES)	-	(34,325)	(34,325)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	64,765	(28,759)	(93,524)
FUND BALANCE, BEGINNING OF YEAR	363,365	363,365	-
FUND BALANCE, END OF YEAR	$ 428,130	$ 334,606	$ (93,524)

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

SPECIAL REVENUE FUNDS

AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 65,500	$ 66,317	$ 817
22,000	21,741	(259)
-	-	-
-	-	-
10,000	65,824	55,824
-	-	-
-	-	-
-	-	-
1,000	4,752	3,752
535	1,114	579
-	3,973	3,973
99,035	163,721	64,686
-	-	-
127,445	160,461	(33,016)
29,580	35,528	(5,948)
-	-	-
-	-	-
-	-	-
157,025	195,989	(38,964)
(57,990)	(32,268)	25,722
33,000	34,325	1,325
-	-	-
33,000	34,325	1,325
(24,990)	2,057	27,047
98,514	98,514	-
$ 73,524	$ 100,571	$ 27,047

SPAULDING TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES	
Service charges	$ 284,392
Penalties	5,170
Connection fees	14,837
Hydrant rentals	8,630
Miscellaneous	12,703
TOTAL OPERATING REVENUES	325,732
OPERATING EXPENSES	
Salaries and wages	78,542
Office supplies	3,466
Operating supplies	4,909
Telephone and communication	634
Contractual services	19,109
Audit	5,770
Purchased water	141,236
Repairs and maintenance	7,141
Office rental	3,500
Miscellaneous	1,174
Depreciation	68,396
TOTAL OPERATING EXPENSES	333,877
OPERATING (LOSS)	(8,145)
NON-OPERATING REVENUES (EXPENSES)	
Special assessments	28,674
Interest income	1,796
Interest expense	(33,443)
Agent fees	(300)
TOTAL NON-OPERATING REVENUES	(3,273)
NET (LOSS)	(11,418)
RETAINED EARNINGS, BEGINNING OF YEAR	471,437
RETAINED EARNINGS, END OF YEAR	$ 460,019

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

SPAULDING TOWNSHIP

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

OPERATING (LOSS)	$ (8,145)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	68,396
(Increase) decrease in assets:	
Special assessments receivable	33,068
Accounts receivable	(13,158)
Due from other funds	344
Prepaid items	75
Increase (decrease) in liabilities:	
Accounts payable	(2,652)
Accrued liabilities	(428)
TOTAL ADJUSTMENTS	85,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES:	
Special assessments	28,674
Principal paid on bonds	(27,000)
Interest paid on bonds	(33,443)
Agent fees paid on bonds	(300)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(32,069)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on operating funds	1,796
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	346,715
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 393,942

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

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the Township. Therefore, the reporting entity consists only of the primary government.

BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in separate funds and account groups as follows:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. When the assets are held under the terms of a formal trust agreement, a trust fund is used. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Township maintains two agency funds.

Account Groups

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all fixed assets of the Township, except those accounted for in Proprietary Funds.

General Long-Term Debt Account Group

This account group is established to account for general long-term debt and certain other liabilities that are not specific liabilities of the Proprietary Funds.

TOTAL COLUMNS ON COMBINED STATEMENTS

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

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, sales tax, state and federal sources, and inter-governmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and expenses are recognized when they are incurred.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General and Special Revenue Funds. The operating budgets are adopted by activity for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted or as amended by the Township Board in accordance with state and local laws.

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH AND CASH EQUIVALENTS

The Township considers all highly liquid investments with an original maturity date of less than three months to be cash equivalents.

INVESTMENTS

Short-term investments (mutual funds) are reported at cost, which approximates fair value.

RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

INVENTORY

Inventory maintained by the Enterprise Fund is valued at cost using the first-in, first-out method. Inventory of expendable supplies in other funds has not been recorded and the amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

PREPAID ITEMS

Payments made to vendors for services that will benefit the Township in future periods are recorded as prepaid items.

RESTRICTED ASSETS

Restricted assets within the General Fund represents cash held for certain special assessment projects and customer deposits. Because these resources are restricted or limited as to their use, they are classified as restricted assets on the balance sheet.

FIXED ASSETS

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund which financed the acquisition and are capitalized in the General Fixed Assets Account Group. General fixed assets are recorded at cost or estimated historical cost. Donated fixed assets are reported at estimated fair market value at the time received. Infrastructure assets are not reported.

Property and equipment acquired by proprietary funds are reported at cost or at estimated fair market value at time of donation. Construction costs of proprietary fund fixed assets financed or contributed from other sources are capitalized and reported as contributed capital if received prior to March 31, 2001. Current capital contributions in the proprietary funds are recorded as revenue.

DEPRECIATION

Depreciation is charged to operations of proprietary funds over the fixed assets estimated useful lives (5 to 40 years) using the straight-line method.

LONG-TERM DEBT

Long-term debt obligations of governmental funds are recorded in the General Long-Term Debt Account Group.

Long-term liabilities for the Water District contracts payable are reported in the appropriate Proprietary Fund.

FUND EQUITY

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved retained earnings for proprietary funds and fund balance for governmental funds represents the net assets that have been legally identified for specific purposes. Designations of unreserved fund equity in governmental funds indicate Township management's tentative plans for use of financial resources in a future period.

PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

COMPENSATED ABSENCES

All compensatory time was used as of March 31, 2004; therefore, no accrual has been made for unpaid sick and vacation time.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2004, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 20

The Township has elected to apply only those Financial Accounting Standards Board (FASB) Statements issued prior to November 30, 1989 to its proprietary fund types, as permitted under Governmental Accounting Standards Board (GASB) Statement No. 20.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund and Special Revenue Funds which were in excess of the amounts appropriated as follows:

	Budget	Actual	(Unfavorable) Variance
GENERAL FUND:			
General Government			
Township Board	$ 57,200	$ 63,488	$ (6,288)
Supervisor	13,735	13,765	(30)
Treasurer	13,490	13,977	(487)
Building and Grounds	49,195	56,221	(7,026)
Planning and Zoning	13,825	24,793	(10,968)
Cemetery	14,815	15,747	(932)
Public Works			
Highways and streets	45,000	74,056	(29,056)
Operating Transfer Out	-	34,325	(34,325)
SPECIAL REVENUE FUNDS:			
Fire Fund – Public Safety	52,305	91,363	(39,058)
Cass River Dike Fund – Public Works	29,580	35,528	(6,468)

3. DEPOSITS AND INVESTMENT

Cash received by the Township is deposited in various pooled and segregated bank accounts as follows:

Financial Statement Captions:	Petty Cash and Cash at County	Deposits	Investments	Total
Cash and cash equivalents	$ 100	$ 636,532	$ 158,814	$ 795,446
Cash at County	1,547	-	-	1,547
Investments	-	4,000	-	4,000
Restricted assets - cash and cash equivalents	-	4,551	-	4,551
Total	**$ 1,647**	**$ 645,083**	**$ 158,814**	**$ 805,544**

Deposits

Deposits are carried at cost. Deposits of the Township are at various banks in the name of the Township Treasurer. The carrying amount and bank balance of deposits at March 31, 2004, were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	$108,885	$111,837
Uninsured – uncollateralized	536,198	538,460
Total deposits	**$645,083**	**$650,297**

Investments

The Township Treasurer is authorized by the Township Board to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

As of March 31, 2004, the Township's investments were considered uncategorized mutual funds which are not evidenced by securities that exist in physical or book entry form.

	Fair Value/ Carrying Amount
Mutual funds	$158,814

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

4. GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of the changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Buildings	$ 703,003	$ -	$ -	$ 703,003
Building Improvements	16,821	-	-	16,821
Equipment	405,791	34,687	-	440,478
Furniture and Fixtures	25,547	-	-	25,547
Vehicles	258,071	-	-	258,071
Total	$1,409,233	$ 34,687	$ -	$ 1,443,920

5. PROPRIETARY FUND PROPERTY AND EQUIPMENT

Proprietary fund type property and equipment at March 31, 2004, is as follows:

	Enterprise Funds	Useful Lives Years
Land and land improvements	$ 500	
Building	18,375	40
Mains	2,444,526	15-40
Equipment	41,365	5-40
Total	2,504,766	
Less accumulated depreciation	(795,123)	
Net property, plant, and equipment	$ 1,709,643	

6. DEFINED CONTRIBUTION BENEFIT PLAN

The Spaulding Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The following persons are eligible to participate in the plan: Township Board Members, Water Supervisor, Township Secretary, Water Assistant Supervisor, Police Officer, Fire Chief and Hall Custodian. At March 31, 2004, all 11 eligible persons were plan members.

Employees are required to contribute 5% but have the option of contributing up to 100%. The Township is required to contribute 10% of the employee's base salary.

Contributions made by an employee vest immediately and contributions made by the Township vest after 2 years of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to $17,496. Employees made contributions amounting to $11,252 to the Plan.

7. LONG-TERM DEBT

The changes in long-term debt for the year ended March 31, 2004 are as follows:

	Balance April 1, 2003	Additions	(Reductions)	Balance March 31, 2004
ENTERPRISE FUNDS				
Contract payable, Water District #2 extension, maturing through April 1, 2013 with interest from 2.4% to 2.9%.	$165,000	$ -	$ (15,000)	$150,000
Contract payable, Sewer Extension, maturing through June 1, 2030 with interest at 4.5%.	561,000	-	(12,000)	549,000
Total Enterprise Fund debt	726,000	-	(27,000)	699,000
GENERAL LONG-TERM DEBT				
Bank One installment contract for Township complex, maturing through March 31, 2006 with interest at 6%.	76,354	-	(24,484)	51,870
Total Long-Term Debt	**$802,354**	**$ -**	**$ (51,484)**	**$750,870**

The annual requirements to pay future principal and interest are as follows:

ENTERPRISE FUNDS	Principal	Interest	Total
2004-2005	$ 27,000	$ 32,145	$ 59,145
2005-2006	27,000	30,832	57,832
2006-2007	27,000	29,509	56,509
2007-2008	28,000	28,155	56,155
2008-2009	28,000	26,768	54,768
2010 and thereafter	562,000	289,312	851,312
Total	**$699,000**	**$436,721**	**$1,135,721**

GENERAL LONG-TERM DEBT (GENERAL OBLIGATION)			
2004-2005	$ 25,790	$ 2,271	$ 28,061
2005-2006	26,080	1,386	27,466
Total	**$ 51,870**	**$ 3,657**	**$ 55,527**

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at March 31, 2004 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	$14,254	$ -
Enterprise Funds		
Water District #2	-	14,254
Total	**$14,254**	**$14,254**

9. ENTERPRISE FUND SEGMENT INFORMATION

The Township maintains two Enterprise Funds which provide water and waste water treatment services. Segment information for the year ended March 31, 2004 is as follows:

	Water/Sewer District 1	Water District 2	Total
Operating revenues	$ 192,059	$ 133,673	$ 325,732
Depreciation expense	30,786	37,610	68,396
Operating income (loss)	1,104	(9,249)	(8,145)
Net income (loss)	2,033	(13,451)	(11,418)
Net working capital	285,753	155,566	441,319
Total assets	1,819,180	888,945	2,708,125
Long-term liabilities	537,000	135,000	672,000
Total liabilities	555,448	170,656	726,104
Total equity	1,263,732	718,289	1,982,021

10. CONTRIBUTED CAPITAL

The following is an analysis of the changes in contributed capital in the Enterprise Funds for the year ended March 31, 2004:

	Water 1	Water 2	Total
Balance – April 1, 2003	$ 917,410	$ 604,592	$ 1,522,002
Deletions	-	-	-
Balance – March 31, 2004	$ 917,410	$ 604,592	$ 1,522,002

11. CONTINGENCIES

In the normal course of its activities, the Township is a party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the Township is of the opinion that the potential claims thereof not covered by insurance will not have a material effect on the financial statements.

12. RELATED-PARTY TRANSACTIONS

During the year ended March 31, 2004, the Township paid $19,665 for various equipment for the Fire Fund. The vendor from which this equipment was bought is owned and operated by the Township's Fire Chief.

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SPAULDING TOWNSHIP

GENERAL FUND
DETAIL SCHEDULE OF REVENUES
AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES			
General property taxes	$ 33,000	$ 32,419	$ (581)
Special assessments	136,665	125,271	(11,394)
Payment in lieu of taxes	28,000	5,612	(22,388)
Property tax administration fee	15,000	18,966	3,966
TOTAL TAXES	212,665	182,268	(30,397)
LICENSES AND PERMITS			
Building permits	7,000	6,295	(705)
Cable TV franchise	40,000	42,857	2,857
Miscellaneous licenses and permits	430	429	(1)
TOTAL LICENSES AND PERMITS	47,430	49,581	2,151
STATE GRANTS			
Sales tax	210,000	187,466	(22,534)
Liquor license	700	740	40
TOTAL STATE GRANTS	210,700	188,206	(22,494)
INTEREST ON INVESTMENTS	5,500	2,768	(2,732)
OTHER REVENUE			
Charges for services	3,000	5,115	2,115
Fines and forfeits	-	34	34
Rent	13,500	10,439	(3,061)
Refunds and reimbursements	3,500	12,538	9,038
Other	14,400	18,281	3,881
TOTAL OTHER REVENUE	34,400	46,407	12,007
TOTAL REVENUES	$ 510,695	$ 469,230	$ (41,465)

SPAULDING TOWNSHIP

GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT			
Township Board:			
Fees and per diem	$ 4,400	$ 4,560	$ (160)
Fringe benefits	5,600	8,072	(2,472)
Supplies	4,800	3,946	854
Memberships and dues	6,000	5,128	872
Insurance	27,000	32,819	(5,819)
Printing and publishing	600	45	555
Legal expense	2,000	2,490	(490)
Education and training	500	50	450
Audit	4,500	4,600	(100)
Miscellaneous	1,800	1,778	22
Total Township Board	57,200	63,488	(6,288)
Supervisor:			
Salaries and wages	11,700	11,700	-
Fringe benefits	2,035	2,065	(30)
Total Supervisor	13,735	13,765	(30)
Elections:			
Fees and per diem	1,500	673	827
Operating supplies	250	-	250
Contractual services	-	176	(176)
Total Elections	1,750	849	901
Tax Administration:			
Operating supplies	100	17	83
Postage	3,000	2,030	970
Contractual services	38,000	17,551	20,449
Printing and publishing	400	369	31
Miscellaneous	1,600	1,760	(160)
Total Tax Administration	43,100	21,727	21,373

(Continued)

SPAULDING TOWNSHIP

GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT (CONTINUED)			
Clerk:			
Salaries and wages	$ 6,250	$ 6,250	$ -
Fringe benefits	1,125	1,104	21
Total Clerk	7,375	7,354	21
Board of Review:			
Fees and per diem	2,500	1,610	890
Printing and publishing	200	-	200
Total Board of Review	2,700	1,610	1,090
Treasurer:			
Salaries and wages	11,700	11,880	(180)
Fringe benefits	1,790	2,097	(307)
Total Treasurer	13,490	13,977	(487)
Township Office:			
Salaries and wages	24,325	19,809	4,516
Fringe benefits	4,250	3,359	891
Operating supplies	2,000	687	1,313
Postage	500	658	(158)
Contractual services	2,300	2,142	158
Miscellaneous	600	546	54
Capital outlay	-	691	(691)
Total Township Office	33,975	27,892	6,083

(Continued)

SPAULDING TOWNSHIP

GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT (CONTINUED)			
Building and Grounds:			
Salaries and wages	$ 13,325	$ 13,912	$ (587)
Fringe benefits	2,070	2,161	(91)
Operating supplies	1,150	951	199
Contractual services	3,200	12,015	(8,815)
Telephone	3,950	3,855	95
Public utilities	13,500	13,454	46
Repairs and maintenance	9,000	6,505	2,495
Miscellaneous	100	325	(225)
Capital outlay	2,900	3,043	(143)
Total Building and Grounds	49,195	56,221	(7,026)
Parks:			
Salaries and wages	4,800	5,420	(620)
Fringe benefits	370	413	(43)
Supplies	1,400	1,274	126
Contracted services	700	4,484	(3,784)
Repairs and maintenance	6,700	3,300	3,400
Capital outlay	2,100	176	1,924
Miscellaneous	2,000	1,332	668
Total Parks	18,070	16,399	1,671
Planning and Zoning:			
Salaries and wages	6,000	2,693	3,307
Fees and per diem	5,000	9,293	(4,293)
Supplies	225	1,041	(816)
Contractual	-	9,480	(9,480)
Printing and publishing	500	307	193
Legal expense	1,500	1,979	(479)
Miscellaneous	600	-	600
Total Planning and Zoning	13,825	24,793	(10,968)

(Continued)

SPAULDING TOWNSHIP

GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT (CONTINUED)			
Cemetery:			
Salaries and wages	$ 5,700	$ 5,653	$ 47
Fringe benefits	565	640	(75)
Supplies	300	1,194	(894)
Contractual services	1,000	1,115	(115)
Repair and maintenance	150	27	123
Capital outlay	6,600	6,578	22
Miscellaneous	500	540	(40)
Total Cemetery	14,815	15,747	(932)
TOTAL GENERAL GOVERNMENT (INCLUDING CAPITAL OUTLAY)	269,230	263,822	5,408
HIGHWAYS AND STREETS			
Roads	15,500	44,464	(28,964)
Drains at large	17,000	16,215	785
Street lighting	12,500	13,377	(877)
TOTAL HIGHWAYS AND STREETS	45,000	74,056	(29,056)
SANITATION			
Refuse collection	103,100	97,245	5,855
DEBT SERVICE			
Principal	23,500	24,563	(1,063)
Interest	5,100	3,978	1,122
TOTAL DEBT SERVICE	28,600	28,541	59
TOTAL EXPENDITURES	$ 445,930	$ 463,664	$ (17,734)

SPAULDING TOWNSHIP

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

MARCH 31, 2004

	POLICE FUND	FIRE FUND	HISTORICAL SOCIETY	CASS RIVER DIKE FUND	TOTAL
ASSETS					
Cash and cash equivalents	$ 10,433	$ 50,564	$ 6,354	$ 32,358	$ 99,709
Investments	-	-	4,000	-	4,000
Taxes receivable - delinquent	3,725	3,683	-	-	7,408
Special assessments receivable - current	-	-	-	4,800	4,800
Special assessments receivable - long term	-	-	-	94,307	94,307
Accounts receivable	8	38	414	20	480
TOTAL ASSETS	$ 14,166	$ 54,285	$ 10,768	$ 131,485	$ 210,704
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 2,868	$ -	$ -	$ 2,868
Accrued liabilities	2,429	529	-	-	2,958
Deferred revenue	-	10,000	-	94,307	104,307
TOTAL LIABILITIES	2,429	13,397	-	94,307	110,133
FUND BALANCES					
Unreserved:					
Designated for subsequent years' expenditures	8,640	30,005	-	-	38,645
Undesignated	3,097	10,883	10,768	37,178	61,926
TOTAL FUND BALANCES	11,737	40,888	10,768	37,178	100,571
TOTAL LIABILITIES AND FUND BALANCES	$ 14,166	$ 54,285	$ 10,768	$ 131,485	$ 210,704

SPAULDING TOWNSHIP

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2004

	POLICE FUND	FIRE FUND	HISTORICAL SOCIETY	CASS RIVER DIKE FUND	TOTAL
REVENUES					
Taxes	$ 33,343	$ 32,974	$ -	$ -	$ 66,317
Special assessments	-	-	-	21,741	21,741
Local grants	-	55,475	10,349	-	65,824
Refunds and reimbursements	-	4,752	-	-	4,752
Interest	32	424	419	239	1,114
Other revenue	3,965	8	-	-	3,973
TOTAL REVENUES	37,340	93,633	10,768	21,980	163,721
EXPENDITURES					
Public safety	69,098	91,363	-	-	160,461
Public works	-	-	-	35,528	35,528
TOTAL EXPENDITURES	69,098	91,363	-	35,528	195,989
REVENUES OVER (UNDER) EXPENDITURES	(31,758)	2,270	10,768	(13,548)	(32,268)
OTHER FINANCING SOURCES					
Operating transfer in	33,087	778	-	460	34,325
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	1,329	3,048	10,768	(13,088)	2,057
FUND BALANCES, BEGINNING OF YEAR	10,408	37,840	-	50,266	98,514
FUND BALANCES, END OF YEAR	$ 11,737	$ 40,888	$ 10,768	$ 37,178	$ 100,571

SPAULDING TOWNSHIP

POLICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	$ 33,500	$ 33,343	$ (157)
Interest	35	32	(3)
Other revenue	-	3,965	3,965
TOTAL REVENUES	33,535	37,340	3,805
EXPENDITURES			
Salaries and wages	52,000	49,825	2,175
Fees and per diem	300	100	200
Fringe benefits	9,390	8,812	578
Operating supplies	400	241	159
Uniforms	500	-	500
Contractual services	1,100	71	1,029
Gas and oil	3,000	2,230	770
Repairs and maintenance	2,100	2,157	(57)
Education and training	750	-	750
Medical	4,500	4,717	(217)
Miscellaneous	100	-	100
Capital outlay	1,000	945	55
TOTAL EXPENDITURES	75,140	69,098	6,042
REVENUES OVER (UNDER) EXPENDITURES	(41,605)	(31,758)	9,847
OTHER FINANCING SOURCES			
Operating transfer in	33,000	33,087	87
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(8,605)	1,329	9,934
FUND BALANCE, BEGINNING OF YEAR	10,408	10,408	-
FUND BALANCE, END OF YEAR	$ 1,803	$ 11,737	$ 9,934

SPAULDING TOWNSHIP

FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	$ 32,000	$ 32,974	$ 974
Local grant	10,000	55,475	45,475
Refunds and reimbursements	1,000	4,752	3,752
Interest	500	424	(76)
Other revenue	-	8	8
TOTAL REVENUES	43,500	93,633	50,133
EXPENDITURES			
Salaries and wages	3,000	3,118	(118)
Fees and per diem	1,775	1,450	325
Fringe benefits	780	786	(6)
Operating supplies	4,650	3,995	655
Uniforms	5,000	8,954	(3,954)
Memberships and dues	100	110	(10)
Central communication	3,000	2,574	426
Gas and oil	600	235	365
Insurnace	600	360	240
Repair and maintenance	4,700	4,928	(228)
Education and training	2,500	1,450	1,050
Miscellaneous	3,100	2,462	638
Capital outlay	22,500	60,941	(38,441)
TOTAL EXPENDITURES	52,305	91,363	(39,058)
REVENUES OVER (UNDER) EXPENDITURES	(8,805)	2,270	11,075
OTHER FINANCING SOURCES			
Operating transfer in	-	778	778
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(8,805)	3,048	11,853
FUND BALANCE, BEGINNING OF YEAR	37,840	37,840	-
FUND BALANCE, END OF YEAR	$ 29,035	$ 40,888	$ 11,853

SPAULDING TOWNSHIP

HISTORICAL SOCIETY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Local grant	$ -	$ 10,349	$ 10,349
Interest	-	419	419
TOTAL REVENUES	-	10,768	10,768
FUND BALANCE, BEGINNING OF YEAR	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ 10,768	$ 10,768

SPAULDING TOWNSHIP

CASS RIVER DIKE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Special assesments	$ 22,000	$ 21,741	$ (259)
Interest	500	239	(261)
TOTAL REVENUES	22,500	21,980	(520)
EXPENDITURES			
Fees and per diem	3,480	4,435	(955)
Operating supplies	500	300	200
Legal	500	-	500
Professional services	5,000	-	5,000
Contractual services	20,000	30,550	(10,550)
Miscellaneous	100	243	(143)
TOTAL EXPENDITURES	29,580	35,528	(5,948)
REVENUES OVER (UNDER) EXPENDITURES	(7,080)	(13,548)	(6,468)
OTHER FINANCING SOURCES			
Operating transfer in	-	460	460
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(7,080)	(13,088)	(6,008)
FUND BALANCE, BEGINNING OF YEAR	50,266	50,266	-
FUND BALANCE, END OF YEAR	$ 43,186	$ 37,178	$ (6,008)

SPAULDING TOWNSHIP

ENTERPRISE FUNDS
COMBINING BALANCE SHEET

MARCH 31, 2004

ASSETS	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	$ 254,447	$ 137,948	$ 392,395
Cash at the County	575	972	1,547
Special assessment receivable - delinquent	11,100	3,332	14,432
Accounts receivable - water billings	35,841	27,466	63,307
Accounts receivable - other	82	2	84
Inventory - supplies	2,156	2,156	4,312
Prepaid items - bond payment	-	19,346	19,346
TOTAL CURRENT ASSETS	304,201	191,222	495,423
OTHER ASSETS			
Special assessments receivable	446,359	56,700	503,059
FIXED ASSETS			
Property, plant and equipment	1,345,916	1,158,850	2,504,766
Less accumulated depreciation	(277,296)	(517,827)	(795,123)
NET FIXED ASSETS	1,068,620	641,023	1,709,643
TOTAL ASSETS	$ 1,819,180	$ 888,945	$ 2,708,125

LIABILITIES AND FUND EQUITY	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
CURRENT LIABILITIES			
Accounts payable	$ 4,152	$ 4,106	$ 8,258
Accrued liabilities	2,296	2,296	4,592
Due to other funds	-	14,254	14,254
Current portion of contracts payable	12,000	15,000	27,000
TOTAL CURRENT LIABILITIES	18,448	35,656	54,104
LONG-TERM LIABILITIES			
Contracts payable	549,000	150,000	699,000
Less current portion	(12,000)	(15,000)	(27,000)
TOTAL LONG-TERM LIABILITIES	537,000	135,000	672,000
TOTAL LIABILITIES	555,448	170,656	726,104
FUND EQUITY			
Contributed capital	917,410	604,592	1,522,002
Retained earnings:			
Unreserved	346,322	113,697	460,019
TOTAL FUND EQUITY	1,263,732	718,289	1,982,021
TOTAL LIABILITIES AND FUND EQUITY	$ 1,819,180	$ 888,945	$ 2,708,125

SPAULDING TOWNSHIP

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2004

	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
OPERATING REVENUES			
Service charges	$ 170,815	$ 113,577	$ 284,392
Penalties	3,317	1,853	5,170
Connection fees	12,637	2,200	14,837
Hydrant rental	3,390	5,240	8,630
Miscellaneous	1,900	10,803	12,703
TOTAL OPERATING REVENUES	192,059	133,673	325,732
OPERATING EXPENSES			
Personnel services	40,944	37,598	78,542
Office supplies	1,652	1,814	3,466
Operating supplies	1,513	3,396	4,909
Telephone and communication	317	317	634
Contractual services	15,943	3,166	19,109
Audit	3,696	2,074	5,770
Purchased water/sewer	89,261	51,975	141,236
Repairs and maintenance	4,606	2,535	7,141
Office reimbursement	1,750	1,750	3,500
Miscellaneous	487	687	1,174
Depreciation	30,786	37,610	68,396
TOTAL OPERATING EXPENSES	190,955	142,922	333,877
OPERATING INCOME (LOSS)	1,104	(9,249)	(8,145)
NON-OPERATING REVENUES (EXPENSES)			
Special assessments	25,051	3,623	28,674
Interest income	853	943	1,796
Interest expense	(24,975)	(8,468)	(33,443)
Agent fees	-	(300)	(300)
TOTAL NON-OPERATING REVENUES (EXPENSES)	929	(4,202)	(3,273)
NET INCOME (LOSS)	2,033	(13,451)	(11,418)
RETAINED EARNINGS, BEGINNING OF YEAR	344,289	127,148	471,437
RETAINED EARNINGS, END OF YEAR	$ 346,322	$ 113,697	$ 460,019

SPAULDING TOWNSHIP

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
OPERATING INCOME (LOSS)	$ 1,104	$ (9,249)	$ (8,145)
Adjustments to reconcile operating (loss) to net cash provided in opeating activities:			
Depreciation	30,786	37,610	68,396
(Increase) decrease in assets:			
Special assessments receivable	27,280	5,788	33,068
Accounts receivable	(9,843)	(3,315)	(13,158)
Inventory	172	172	344
Prepaid items	-	75	75
Increase (decrease) in liabilities:			
Accounts payable	(3,101)	449	(2,652)
Accrued liabilities	(214)	(214)	(428)
TOTAL ADJUSTMENTS	45,080	40,565	85,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,184	31,316	77,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES:			
Special assessments	25,051	3,623	28,674
Principal paid on bonds	(12,000)	(15,000)	(27,000)
Interest paid on bonds	(24,975)	(8,468)	(33,443)
Agent fees paid on bonds	-	(300)	(300)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(11,924)	(20,145)	(32,069)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on operating funds	853	943	1,796
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,113	12,114	47,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	219,909	126,806	346,715
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 255,022	$ 138,920	$ 393,942

SPAULDING TOWNSHIP

COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

MARCH 31, 2004

	AGENCY FUNDS			
	TAX COLLECTION FUND	PAYROLL IMPREST	JAKE THE BASSET HOUND	TOTAL
ASSETS				
Cash and cash equivalents	$ 1	$ 4,224	$ -	$ 4,225
LIABILITIES				
LIABILITIES				
Accrued liabilities	$ -	$ 4,224	$ -	$ 4,224
Due to governmental units	1	-	-	1
TOTAL LIABILITIES	$ 1	$ 4,224	$ -	$ 4,225

SPAULDING TOWNSHIP

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

FOR THE YEAR ENDED MARCH 31, 2004

	APRIL 1, 2003	ADDITIONS	DELETIONS	MARCH 31, 2004
TAX COLLECTION FUND				
ASSETS				
Cash and cash equivalents	$ 1	$ 1,158,876	$ 1,158,876	$ 1
LIABILITIES				
Due to other funds	$ -	$ 357,615	$ 357,615	$ -
Due to other governmental units	1	801,261	801,261	1
TOTAL LIABILITIES	$ 1	$ 1,158,876	$ 1,158,876	$ 1
TRUST AND AGENCY FUND - PAYROLL IMPREST				
ASSETS				
Cash and cash equivalents	$ 5,762	$ 216,738	$ 218,276	$ 4,224
LIABILITIES				
Accrued liabilities	$ 5,762	$ 62,315	$ 63,853	$ 4,224
JAKE THE BASSET HOUND FUND				
ASSETS				
Cash and cash equivalents	$ 3,906	$ 8	$ 3,914	$ -
LIABILITIES				
Due to others	$ 3,906	$ 8	$ 3,914	$ -
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 9,669	$ 1,375,622	$ 1,381,066	$ 4,225
LIABILITIES				
Accrued liabilities	$ 5,762	$ 62,315	$ 63,853	$ 4,224
Due to other funds	-	357,615	357,615	-
Due to others	3,906	8	3,914	-
Due to other governmental units	1	801,261	801,261	1
TOTAL LIABILTIES	$ 9,669	$ 1,221,199	$ 1,226,643	$ 4,225

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 13, 2004

Members of the Township Board
Spaulding Township
Saginaw, Michigan

We have audited the general purpose financial statements of ***Spaulding Township*** as of and for the year ended March 31, 2004, and have issued our report thereon dated May 13, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***Spaulding Township's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 ***Spaulding Township's*** ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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The reportable condition is as follows:

> As is common with Townships of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and the Township board and is not intended to be, and should not be, used by anyone other than these specified parties.

Rehmann Lohan

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

May 13, 2004

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DEPT. OF TREASURY
AUG 16 2004
LOCAL AUDIT & FINANCE DIV.

To the Members of the Township Board
Spaulding Township
Saginaw, Michigan

In planning and performing our audit of the financial statements of *Spaulding Township* for the year ended March 31, 2004, we considered the Township's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. (A separate report dated May 13, 2004 contains our report on the Township's compliance and internal controls). This letter does not affect our report dated May 13, 2004, on the financial statements of ***Spaulding Township***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

Rehmann Robson

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SPAULDING TOWNSHIP

MANAGEMENT COMMENTS AND RECOMMENDATIONS

MARCH 31, 2004

A. Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments,* which establishes a new financial reporting model for State and Local Governments. This new model requires that, at a minimum, the basic financial statements of a government include: (1) Management's Discussion and Analysis (MD&A) as a component of required supplementary information, (2) both "government-wide" financial statements and "fund" financial statements, (3) notes to the financial statements and (4) required supplementary information, other than MD&A. The Township's Annual Financial Report will still need to include appropriate "Combining" and "Individual" fund statements and Schedules as part of the financial section, as well as, separate introductory and statistical sections. GASB Statement No. 34 is effective for the Township's year ended March 31, 2005, with proper beginning balances needing to be established for April 1, 2004.

Implementation of the GASB 34 reporting model, although recommended, is not a requirement for compliance with the State of Michigan. If, however, the Township chooses not to comply with GASB 34 reporting requirements it will effect the audit report in following matter: (1) An adverse opinion will be issued on the Township's financial statements due to the severe departure from GAAP (Generally Accepted Accounting Principles). An adverse opinion may produce negative impacts on the Township's ability to obtain favorable interest rates when issuing debt. It could also hinder the Township's ability to secure new funding sources such as grants. (2) If the Township elects to implement GASB 34, but chooses not to complete an MD&A, a qualified opinion will be issued. We speculate that a qualified opinion will not impact the Township in relation to issuing new debt or securing new funding sources, but the actual impacts from receiving a qualified opinion cannot be readily determined.

We recommend that the Township evaluate its current plans for implementing the provisions of GASB Statement No. 34, to ensure that all aspects of the statement are adequately addressed by the Township, within the timeframe allowed. Please be aware that this will likely be a significant undertaking for the Township and we are available to assist in the administration of this project.