

Berrien Township, Michigan Berrien County

Financial Report

March 31, 2004

Berrien Township, Michigan

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Plante & Moran, PLLC
Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
Tel: 269-982.8000
Fax: 269-982.2800
plantemoran.com

Independent Auditor's Report

Members of the Township Board
Berrien Township, Michigan

We have audited the accompanying general purpose financial statements of Berrien Township, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Berrien Township, Michigan management. Our responsibility is to express an opinion 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. 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 opinion.

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

Plante & Moran, PLLC

June 17, 2004

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Berrien Township, Michigan

	Governmental Fund Type	Fiduciary Fund Type
	General	Trust and Agency
Assets		
Cash (Note 2)	\$ 70,618	\$ 5,868
Investments (Note 2)	760,172	-
Taxes receivable	5,391	-
Due from other governmental units	9,420	-
Due from Berrien County Road Commission (Note 4)	469,800	-
Due from other funds (Note 3)	5,868	-
Capital assets (Note 5)	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,321,269</u>	<u>\$ 5,868</u>
Liabilities And Fund Equity		
Liabilities		
Accounts payable	\$ 53,806	\$ -
Accrued and other liabilities	-	-
Due to other funds (Note 3)	-	5,868
	<hr/>	<hr/>
Total liabilities	53,806	5,868
Fund Equity		
Investment in general fixed assets	-	-
Fund balances:		
Reserved for long-term receivable	469,800	-
Unreserved	797,663	-
	<hr/>	<hr/>
Total fund equity	1,267,463	-
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 1,321,269</u>	<u>\$ 5,868</u>

**Combined Balance Sheet - All Fund Types and Account Group
March 31, 2004**

Account Group	Totals	
	(Memorandum Only)	
General Fixed		
Assets	2004	2003
\$ -	\$ 76,486	\$ 19,929
-	760,172	832,356
-	5,391	5,256
-	9,420	6,216
-	469,800	519,800
-	5,868	2,084
<u>1,408,242</u>	<u>1,408,242</u>	<u>1,327,947</u>
<u>\$ 1,408,242</u>	<u>\$ 2,735,379</u>	<u>\$ 2,713,588</u>
\$ -	\$ 53,806	\$ 11,047
-	-	14,956
-	5,868	2,084
<u>-</u>	<u>59,674</u>	<u>28,087</u>
1,408,242	1,408,242	1,327,947
-	469,800	519,800
-	797,663	837,754
<u>1,408,242</u>	<u>2,675,705</u>	<u>2,685,501</u>
<u>\$ 1,408,242</u>	<u>\$ 2,735,379</u>	<u>\$ 2,713,588</u>

Berrien Township, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Fund Type - General Fund Year Ended March 31, 2004

	2004	2003
	(Memorandum Only)	
Revenue		
Taxes	\$ 94,586	\$ 79,936
Licenses and permits	50,905	43,023
Federal sources	13,968	-
State sources	327,119	357,800
Donations from private sources	50,094	-
Interest	13,091	14,846
Charges for services	50	60
Other	100,094	127,228
Total revenue	649,907	622,893
Expenditures		
General government	396,230	251,196
Cemetery care	79,960	26,260
Highway and streets	13,318	44,462
Fire protection	168,320	150,578
Community development	55,102	55,324
Park	27,068	22,040
Total expenditures	739,998	549,860
Excess of Revenue Over (Under) Expenditures	(90,091)	73,033
Fund Balances - Beginning of year	1,357,554	1,284,521
Fund Balances - End of year	\$ 1,267,463	\$ 1,357,554

Berrien Township, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual Governmental Fund Type - General Fund Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Taxes	\$ 83,652	\$ 94,586	\$ 10,934
Licenses and permits	55,000	50,905	(4,095)
Federal sources	-	13,968	13,968
State sources	335,000	327,119	(7,881)
Interest	15,000	13,091	(1,909)
Charges for services	100	50	(50)
Other	70,025	100,094	30,069
Total revenue	558,777	599,813	41,036
Expenditures			
General government	342,770	396,230	(53,460)
Cemetery care	28,771	29,866	(1,095)
Highways and streets	25,000	13,318	11,682
Fire protection	163,757	168,320	(4,563)
Park	26,732	27,068	(336)
Community development	73,122	55,102	18,020
Total expenditures	660,152	689,904	(29,752)
Excess of Revenue Over (Under) Expenditures	(101,375)	(90,091)	11,284
Fund Balances - Beginning of year	1,357,554	1,357,554	-
Fund Balances - End of year	<u>\$ 1,256,179</u>	<u>\$ 1,267,463</u>	<u>\$ 11,284</u>

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Township is governed by an elected five-member Board of Trustees. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Fund Accounting - 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 various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

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 agent for other funds and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting - All governmental funds and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

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

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. The taxes are due with the final collection date as of February 28 before they are added to the county tax rolls.



Note 1 – Summary of Significant Accounting Policies (Continued)

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost, or, if donated, at their estimated fair value on the date donated.

The General Fixed Assets Account Group is not a fund and does not involve the measurement of results of operations.

Investments - Investments are recorded at fair value based on quoted market prices.

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account group. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

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.

Other accounting policies are disclosed in other notes to financial statements.

Berrien Township, Michigan

Notes To Financial Statements March 31, 2004

Note 2 – Deposits and Investments

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	Balance Sheet Classification		
	Cash	Investments	Total
Deposits	\$ 76,486	\$ 760,172	\$ 836,658

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$879,406. Of that amount, \$400,000 was covered by federal depository insurance and \$479,406 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 – Interfund Receivables

The following are interfund receivables at March 31, 2004:

General Fund:	
Trust and Agency Fund	\$ 2,050
Tax Collection Fund	<u>3,818</u>
Total Interfund Receivables	<u>\$ 5,868</u>

Berrien Township, Michigan

Notes To Financial Statements March 31, 2004

Note 4 – Due From Berrien County Road Commission

This represents an interest-free loan to the Road Commission for Township road improvements. The remaining outstanding balance at March 31, 2004 is \$469,800, which will be repaid at \$50,000 per year, through October 1, 2012, with a final \$19,800 payment due on October 1, 2013. The fund balance in the General Fund has been reserved for this amount.

Note 5 – Capital Assets

A summary of changes in general fixed assets follows:

	Beginning Balance March 31, 2003	Additions	Retirements	Ending Balance March 31, 2004
Land	\$ 76,460	\$ 17,923	\$ -	\$ 94,383
Building	360,881	38,816	-	399,697
Cemetery	11,992	-	-	11,992
Park improvement	21,009	-	-	21,009
Equipment				
Fire	766,187	20,490	-	786,677
Office	68,639	3,448	382	71,705
Park	22,779	-	-	22,779
Total	\$ 1,327,947	\$ 80,677	\$ 382	\$ 1,408,242

Berrien Township, Michigan

Notes To Financial Statements March 31, 2004

Note 6 – Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States, with the exception that certain revenues and related expenditures from donations of real estate from private sources were not included in the budget. These donations did not result in any cash transactions, the revenue recorded was equal to the expenditures recorded and as a result, were excluded from the budget.

The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual – governmental fund type) is presented on the same basis of accounting used in preparing the adopted budget. The budget did not include revenue and expenditures related to a donation of land and a building from a private source. As a result, the combined statement of revenue, expenditures and changes in fund balance – budget and actual does not include these amounts. The following is a reconciliation of the budget statement to the operating statement (combined statement of revenue, expenditures and changes in fund balances – governmental fund type – general fund):

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 699,909	\$ 740,000
Donations from private sources	(50,094)	-
Capital outlay	-	(50,094)
Amounts per budget statement	<u>\$ 649,815</u>	<u>\$ 689,906</u>

Note 6 – Budget Information (Continued)

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in the additional information.

Significant expenditure budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Financial and Office	\$ 157,415	\$ 208,644

The above variance resulted from additional legal fees incurred immediately prior to year end. This variance is offset by additional unbudgeted revenue reflected in the budget statement. The Township anticipates recovery of these legal fees in future years based on an award by the local court.

Note 7 – Risk Management

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

Berrien Township, Michigan

Notes To Financial Statements March 31, 2004

Note 8 – Construction Code Fees

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The Township credits all construction code fee revenue properly, in accordance with applicable state law. A summary of current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at March 31, 2003		\$	(2,787)
Current year building permit revenue			48,017
Related expenses:			
Direct costs	31,355		
Estimated indirect costs	<u>23,173</u>		
Total construction code costs			<u>54,528</u>
Cumulative shortfall at March 31, 2004		\$	<u>(9,298)</u>

Note 9 – Contingencies

The Township is in the early stages of litigation involving a Township ordinance. Township management considers the exposure under the suit to be immaterial. No provision for any loss has been made in the financial statements.

Note 10 – Upcoming Reporting Change

For the year beginning April 1, 2004, the Township will adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as, in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the net effect of this future change.

Additional Information



Plante & Moran, PLLC
Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
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Fax: 269-982.2800
plantemoran.com

Members of the Township Board
Berrien Township, Michigan

We have audited the general purpose financial statements of the Berrien Township, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Berrien Township, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

June 17, 2004

Berrien Township, Michigan

General Fund Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
General Government				
Trustees				
Salaries and payroll taxes	\$ 7,969	\$ 7,969	\$ -	\$ 7,163
Other	90	90	-	190
Total Trustees	8,059	8,059	-	7,353
Supervisor				
Salaries and payroll taxes	19,794	19,794	-	17,007
Other	983	983	-	764
Total supervisor	20,777	20,777	-	17,771
Elections				
Salaries and payroll taxes	1,421	1,421	-	1,650
Other	1,779	1,736	43	1,022
Total elections	3,200	3,157	43	2,672
Assessor				
Contract Services	33,855	37,641	(3,786)	33,120
Computer services	7,695	7,695	-	4,889
Other	1,678	867	811	1,820
Total assessor	43,228	46,203	(2,975)	39,829
Clerk				
Salaries and payroll taxes	19,595	19,794	(199)	16,984
Other	1,360	782	578	1,395
Total clerk	20,955	20,576	379	18,379
Board of review	998	643	355	609

Berrien Township, Michigan

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Treasurer				
Salaries and payroll taxes	19,849	19,849	-	16,034
Other	<u>1,343</u>	<u>1,350</u>	<u>(7)</u>	<u>1,426</u>
Total treasurer	21,192	21,199	(7)	17,460
Financial and Office				
Salaries and payroll taxes	23,373	29,233	(5,860)	21,607
Temporary help	546	546	-	1,627
Audit	5,000	5,000	-	4,725
Legal fees	98,885	143,412	(44,527)	26,638
Insurance	9,216	9,216	-	7,569
Special Assessments	593	593	-	126
Other	<u>19,802</u>	<u>20,644</u>	<u>(842)</u>	<u>26,543</u>
Total financial and office	157,415	208,644	(51,229)	88,835
Township Hall and Grounds				
Repair and maintenance	5,400	5,798	(398)	1,308
Capital outlay	500	3,448	(2,948)	-
Utilities	2,450	3,080	(630)	-
Other	<u>4,300</u>	<u>493</u>	<u>3,807</u>	<u>345</u>
Total township hall and grounds	12,650	12,819	(169)	1,653
Building Inspection				
Salaries and payroll taxes	18,401	18,401	-	16,722
Professional fees	10,852	10,852	-	7,854
Other	<u>2,102</u>	<u>2,102</u>	<u>-</u>	<u>1,989</u>
Total building inspection	31,355	31,355	-	26,565
Electricity	7,800	8,188	(388)	7,628

Berrien Township, Michigan

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Board of Appeals				
Salaries and payroll taxes	1,884	1,553	331	1,174
Other	200	-	200	250
Total board of appeals	2,084	1,553	531	1,424
Planning Commission				
Salaries and payroll taxes	4,514	4,514	-	3,919
Professional services	6,384	6,384	-	14,941
Other	2,159	2,159	-	2,158
Total planning commission	13,057	13,057	-	21,018
Total general government	342,770	396,230	(53,460)	251,196
Cemetery				
Salaries and payroll taxes	6,079	6,079	-	5,781
Burials and digging	6,895	6,995	(100)	4,830
Mowing	12,477	12,477	-	12,477
Other	3,320	4,315	(995)	3,172
Total cemetery	28,771	29,866	(1,095)	26,260
Highways and Streets	25,000	13,318	11,682	44,462
Fire Protection				
Salaries and payroll taxes	69,509	64,475	5,034	64,996
Supplies	12,750	16,360	(3,610)	12,480
Insurance	25,500	27,622	(2,122)	23,206
Utilities	9,250	11,048	(1,798)	8,905
Repairs	16,100	21,946	(5,846)	12,831
Other	14,648	6,379	8,269	6,191
Capital outlay	16,000	20,490	(4,490)	21,969
Total fire protection	163,757	168,320	(4,563)	150,578

Berrien Township, Michigan

General Fund
Schedule of Expenditures – Budget and Actual (Continued)
Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Park				
Other	26,732	20,423	6,309	22,040
Capital Outlay	-	6,645	(6,645)	-
Total Park	26,732	27,068	(336)	22,040
Community Development	<u>73,122</u>	<u>55,102</u>	<u>18,020</u>	<u>55,324</u>
Total expenditures	<u>\$ 660,152</u>	<u>\$ 689,904</u>	<u>\$ (29,752)</u>	<u>\$ 549,860</u>

The budget amounts shown are in greater detail than adopted by the Township Board and are included for management analysis only.



Berrien Township, Michigan

Fiduciary Funds Combining Balance Sheet Year Ended March 31, 2004

	Trust and Agency Fund	Tax Fund	2004	2003
Assets				
Cash	\$ 2,050	\$ 3,818	\$ 5,868	\$ 15,326
Total assets	<u>\$ 2,050</u>	<u>\$ 3,818</u>	<u>\$ 5,868</u>	<u>\$ 15,326</u>
Liabilities				
Accrued and other liabilities	\$ 450	\$ 147	\$ 597	\$ 13,242
Due to other governmental units	-	851	851	-
Due to other funds	<u>1,600</u>	<u>2,820</u>	<u>4,420</u>	<u>2,084</u>
Total liabilities	<u>\$ 2,050</u>	<u>\$ 3,818</u>	<u>\$ 5,868</u>	<u>\$ 15,326</u>