

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2003**

Bath Charter Township  
Clinton County, Michigan

December 31, 2003

BOARD OF TRUSTEES AND ADMINISTRATION

Lynwood McGonigal	Supervisor
Kathleen McQueen	Clerk
Steve Wiswasser	Treasurer
Scott Ray	Trustee
Roni Christmas	Trustee
Bob Leiby	Trustee
Chris Cygan	Trustee
Mark Ritter	Superintendent

Bath Charter Township

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Principals

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Aaron M. Stevens, CPA  
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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying general purpose financial statements of Bath Charter Township, Michigan as of and for the year ended December 31, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's 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 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 Bath Charter Township, Michigan as of December 31, 2003, and the results of its operations and 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Bath Charter Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 25, 2004

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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Bath Charter Township

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service (Building Authority)	Capital Projects
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,048,223	\$ 427,670	\$ 2,013	\$ 96,504
Investments	369,406	-	-	-
Receivables				
Taxes	1,073,132	-	-	-
Accounts	7,466	-	-	-
Special assessments	9,185	34,527	-	-
Due from other funds	357,439	6,768	-	-
Prepaid insurance	42,033	-	-	-
Investment in SCCMUA	-	-	-	-
Fixed assets (net of accumulated depreciation)	-	-	-	-
Amount available for retirement of general long-term debt	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,906,884</b>	<b>\$ 468,965</b>	<b>\$ 2,013</b>	<b>\$ 96,504</b>

See accompanying notes to general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service (Employee Sick and Vacation)	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 1,723,318	\$ 17,106	\$ 1,260,968	\$ -	\$ -	\$ 4,575,802
246,262	-	-	-	-	615,668
-	-	-	-	-	1,073,132
32,622	-	-	-	-	40,088
5,967	-	-	-	-	49,679
30,407	-	-	-	-	394,614
-	-	-	-	-	42,033
1,301,165	-	-	-	-	1,301,165
5,591,895	-	-	4,740,520	-	10,332,415
-	-	-	-	2,013	2,013
-	-	-	-	1,025,251	1,025,251
<u>\$ 8,931,636</u>	<u>\$ 17,106</u>	<u>\$ 1,260,968</u>	<u>\$ 4,740,520</u>	<u>\$ 1,027,264</u>	<u>\$ 19,451,860</u>

Bath Charter Township

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED

December 31, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service (Building Authority)	Capital Projects
<b>LIABILITIES</b>				
Payables				
Accounts	\$ 21,320	\$ 9,459	\$ -	\$ -
Wages	11,380	-	-	-
Accrued interest	-	-	-	-
Accrued liabilities	-	-	-	-
Due to other governmental units				
Federal/State	-	-	-	-
Local	-	-	-	-
Due to other funds	21,585	-	-	-
Due to individuals and agencies	-	-	-	-
Deferred revenue	1,566,060	45,888	-	-
Loan payable	-	-	-	-
General obligation bonds	-	-	-	-
Revenue bonds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,620,345</b>	<b>55,347</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balance				
Reserved for debt service	-	-	2,013	-
Unreserved				
Designated for capital projects	700,000	-	-	96,504
Undesignated	586,539	413,618	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,286,539</b>	<b>413,618</b>	<b>2,013</b>	<b>96,504</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,906,884</b>	<b>\$ 468,965</b>	<b>\$ 2,013</b>	<b>\$ 96,504</b>

See accompanying notes to general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service (Employee Sick and Vacation)	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 2,320	\$ -	\$ 1,302	\$ -	\$ -	\$ 34,401
-	-	-	-	-	11,380
15,420	-	-	-	-	15,420
-	-	-	-	75,933	75,933
-	-	3,745	-	-	3,745
-	-	845,488	-	-	845,488
-	-	373,029	-	-	394,614
-	-	37,404	-	-	37,404
82,694	-	-	-	-	1,694,642
-	-	-	-	126,331	126,331
-	-	-	-	825,000	825,000
1,800,000	-	-	-	-	1,800,000
1,900,434	-0-	1,260,968	-0-	1,027,264	5,864,358
-	-	-	4,740,520	-	4,740,520
1,218,093	-	-	-	-	1,218,093
5,813,109	17,106	-	-	-	5,830,215
-	-	-	-	-	2,013
-	-	-	-	-	796,504
-	-	-	-	-	1,000,157
7,031,202	17,106	-0-	4,740,520	-0-	13,587,502
<u>\$ 8,931,636</u>	<u>\$ 17,106</u>	<u>\$ 1,260,968</u>	<u>\$ 4,740,520</u>	<u>\$ 1,027,264</u>	<u>\$ 19,451,860</u>

Bath Charter Township

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

Year Ended December 31, 2003

	General	Special Revenue	Debt Service (Building Authority)	Capital Projects	Totals (Memorandum Only)
<b>REVENUES</b>					
Taxes	\$ 1,423,455	\$ -	\$ -	\$ -	\$ 1,423,455
Licenses and permits	28,144	277,814	-	-	305,958
Intergovernmental	620,914	1,125	-	-	622,039
Charges for services	185,893	33,076	-	-	218,969
Fines and forfeits	-	126	-	-	126
Interest and rents	80,627	13,402	19	-	94,048
Special assessments	-	44,501	-	-	44,501
Other	27,912	1,662	-	-	29,574
<b>TOTAL REVENUES</b>	<b>2,366,945</b>	<b>371,706</b>	<b>19</b>	<b>-0-</b>	<b>2,738,670</b>
<b>EXPENDITURES</b>					
Current					
General government	706,047	4,021	-	-	710,068
Public safety	1,003,553	295,214	-	-	1,298,767
Public works	284,955	36,058	-	-	321,013
Recreation and cultural	56,283	-	-	-	56,283
Debt service	67,812	-	71,968	-	139,780
Capital outlay	37,350	14,151	-	100,186	151,687
<b>TOTAL EXPENDITURES</b>	<b>2,156,000</b>	<b>349,444</b>	<b>71,968</b>	<b>100,186</b>	<b>2,677,598</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>210,945</b>	<b>22,262</b>	<b>(71,949)</b>	<b>(100,186)</b>	<b>61,072</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	71,968	-	71,968
Operating transfers out	(71,968)	-	-	-	(71,968)
Residual equity transfer in	13,389	-	-	196,690	210,079
Residual equity transfer out	-	(196,690)	-	-	(196,690)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(58,579)</b>	<b>(196,690)</b>	<b>71,968</b>	<b>196,690</b>	<b>13,389</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>152,366</b>	<b>(174,428)</b>	<b>19</b>	<b>96,504</b>	<b>74,461</b>
Fund balances, beginning of year	1,096,894	588,046	1,994	-0-	1,686,934
Prior period adjustments	37,279	-	-	-	37,279
<b>Fund balances, end of year</b>	<b>\$ 1,286,539</b>	<b>\$ 413,618</b>	<b>\$ 2,013</b>	<b>\$96,504</b>	<b>\$ 1,798,674</b>

See accompanying notes to general purpose financial statements.

Bath Charter Township

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

Year Ended December 31, 2003

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 1,446,584	\$ 1,423,455	\$ (23,129)
Licenses and permits	26,000	28,144	2,144
Intergovernmental	690,700	620,914	(69,786)
Charges for services	112,050	185,893	73,843
Fines and forfeits	-	-	-0-
Interest and rents	43,500	80,627	37,127
Special assessments	-	-	-0-
Other	52,500	27,912	(24,588)
<b>TOTAL REVENUES</b>	<b>2,371,334</b>	<b>2,366,945</b>	<b>(4,389)</b>
EXPENDITURES			
Current			
General government	873,540	706,047	167,493
Public safety	1,009,901	1,003,553	6,348
Public works	302,100	284,955	17,145
Recreation and cultural	72,089	56,283	15,806
Debt service	67,812	67,812	-0-
Capital outlay	40,713	37,350	3,363
<b>TOTAL EXPENDITURES</b>	<b>2,366,155</b>	<b>2,156,000</b>	<b>210,155</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>5,179</b>	<b>210,945</b>	<b>205,766</b>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(73,068)	(71,968)	1,100
Residual equity transfer in	13,389	13,389	-0-
Residual equity transfer out	-	-	-0-
<b>TOTAL OTHER FINANCING USES</b>	<b>(59,679)</b>	<b>(58,579)</b>	<b>1,100</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(54,500)</b>	<b>152,366</b>	<b>206,866</b>
Fund balances, beginning of year	1,096,894	1,096,894	-0-
Prior period adjustments	-	37,279	37,279
<b>Fund balances, end of year</b>	<b>\$ 1,042,394</b>	<b>\$ 1,286,539</b>	<b>\$ 244,145</b>

See accompanying notes to general purpose financial statements.

Special Revenue Funds

Amended Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -0-
285,000	277,814	(7,186)
1,000	1,125	125
27,500	33,076	5,576
2,100	126	(1,974)
2,500	13,402	10,902
-	44,501	44,501
48,151	1,662	(46,489)
<u>366,251</u>	<u>371,706</u>	<u>5,455</u>
5,650	4,021	1,629
302,100	295,214	6,886
46,751	36,058	10,693
-	-	-0-
-	-	-0-
20,500	14,151	6,349
<u>375,001</u>	<u>349,444</u>	<u>25,557</u>
(8,750)	22,262	31,012
-	-	-0-
-	-	-0-
<u>(195,254)</u>	<u>(196,690)</u>	<u>(1,436)</u>
<u>(195,254)</u>	<u>(196,690)</u>	<u>(1,436)</u>
(204,004)	(174,428)	29,576
588,046	588,046	-0-
-	-	-0-
<u>\$ 384,042</u>	<u>\$ 413,618</u>	<u>\$ 29,576</u>

Bath Charter Township

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPES

Year Ended December 31, 2003

	Enterprise	Internal Service (Employee Sick and Vacation)	Totals (Memorandum Only)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 805,682	\$ -	\$ 805,682
<b>OPERATING EXPENSES</b>			
Contractual services	516,044	-	516,044
Administrative expenses	9,500	-	9,500
Supplies	1,077	-	1,077
Other	16,529	-	16,529
Depreciation	173,660	-	173,660
<b>TOTAL OPERATING EXPENSES</b>	<b>716,810</b>	<b>-0-</b>	<b>716,810</b>
<b>OPERATING INCOME</b>	<b>88,872</b>	<b>-0-</b>	<b>88,872</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Equity interest in 2003 SCCMUA operations	106,828	-	106,828
Tap in fees	643,582	-	643,582
Special assessments	64,683	-	64,683
Interest revenue	17,043	-	17,043
Other	79	-	79
Interest expense	(98,141)	-	(98,141)
Fiscal agent fees	(538)	-	(538)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>733,536</b>	<b>-0-</b>	<b>733,536</b>
<b>NET INCOME BEFORE TRANSFERS</b>	<b>822,408</b>	<b>-0-</b>	<b>822,408</b>
<b>TRANSFER OUT</b>			
Residual equity transfer out	(13,389)	-	(13,389)
<b>NET INCOME</b>	<b>809,019</b>	<b>-0-</b>	<b>809,019</b>
Add depreciation on fixed assets acquired with grants and shared revenues that reduces contributed capital	29,325	-	29,325
<b>INCREASE IN RETAINED EARNINGS</b>	<b>838,344</b>	<b>-0-</b>	<b>838,344</b>
Retained earnings, beginning of year	4,974,765	17,106	4,991,871
Retained earnings, end of year	<u>\$ 5,813,109</u>	<u>\$ 17,106</u>	<u>\$ 5,830,215</u>

See accompanying notes to general purpose financial statements.

Bath Charter Township

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

Year Ended December 31, 2003

	Enterprise	Internal Service (Employee Sick and Vacation)	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 88,872	\$ -	\$ 88,872
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	173,660	-	173,660
Decrease in accounts receivable	1,148	-	1,148
Decrease in assessments receivable	16,723	-	16,723
(Increase) in due from other funds	(12,573)	-	(12,573)
Increase in accounts payable	2,320	-	2,320
(Decrease) in accrued interest payable	(1,129)	-	(1,129)
(Decrease) in deferred revenue	(18,900)	-	(18,900)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>250,121</b>	<b>-0-</b>	<b>250,121</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Tap in fees	643,582	-	643,582
Fiscal agent fees	(538)	-	(538)
Residual equity transfer out	(13,389)	-	(13,389)
Other	79	-	79
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>629,734</b>	<b>-0-</b>	<b>629,734</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Special assessments	64,683	-	64,683
Interest expense	(98,141)	-	(98,141)
Capital acquisitions	(372,897)	-	(372,897)
Payments of borrowing	(125,000)	-	(125,000)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(531,355)</b>	<b>-0-</b>	<b>(531,355)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	17,043	-	17,043
Maturities of investments	778,675	-	778,675
Purchases of investments	(246,262)	-	(246,262)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>549,456</b>	<b>-0-</b>	<b>549,456</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>897,956</b>	<b>-0-</b>	<b>897,956</b>
Cash and cash equivalents, beginning of year	825,362	17,106	842,468
Cash and cash equivalents, end of year	<u>\$1,723,318</u>	<u>\$ 17,106</u>	<u>\$ 1,740,424</u>

Note: The Township also adjusted its equity interest in 2003 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund for \$106,828, to reflect the current year activity at SCCUMA.

See accompanying notes to general purpose financial statements.

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUPS**

Bath Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Bath Charter Township (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

BLENDING COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of Bath Charter Township contain all the funds and account groups controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	13%
DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	20%

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUPS - CONTINUED**

2. Joint Venture - continued

For the year ended December 31, 2003, Bath Charter Township contributed \$512,052 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2003, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as fixed assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2002. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2002, the Commission had total assets of \$1,245,397; total liabilities of \$76,010, and total retained earnings of \$1,169,387. For the year ended December 31, 2002, the Commission had total operating revenues of \$361,509; total operating expenses of \$319,117; and a net increase in retained earnings of \$63,967 after prior period adjustments.

4. 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. Township 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 various funds are grouped in the financial statements in this report into three (3) fund types and two (2) account groups as follows:

GOVERNMENTAL FUNDS

- a. 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.
- b. Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUPS - CONTINUED**

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS - CONTINUED

- c. Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.
- d. Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major Capital Projects (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

- a. Enterprise Funds - The Enterprise Funds are used to account for operations 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.
- b. Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township on a cost-reimbursement basis.

FIDUCIARY FUND

- a. Agency Funds - The Agency Funds are used to account for assets held by the Township in a trustee capacity as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets of the Township other than those accounted for in the Proprietary Funds.
- b. General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to record the outstanding long-term obligations not otherwise recorded in the Proprietary Funds.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current and long-term assets.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

1. Measurement Focus - continued

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for the agency fund since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

3. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Budgets and Budgetary Accounting - continued

- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were not material to original appropriations which are adopted.

4. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

5. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2003 tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

5. Property Tax - continued

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2003, the Township levied 4.0626 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2002 levy for property within the Township was \$201,011,525.

6. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Accrued Vacation and Sick Pay

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2003, including related payroll taxes, is recorded entirely in the General Long-Term Debt Account Group. A portion of the vested vacation and sick leave earned will be paid from assets accumulated in the Internal Service Fund.

8. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow measurement focus resources". This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group rather than in the governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Groups, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Fixed assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, sidewalks, and drains, are not capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Sewer system/lines/pump stations	50 years
Machinery and equipment	5 years

9. Comparative Data

Comparative data for the prior year has not been presented in each of the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. 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 does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association or government national mortgage association.

As of December 31, 2003, the carrying amounts and the bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 98,973	\$ 102,436
Money market checking	1,728,852	1,757,897
Savings and certificates of deposit	<u>2,848,292</u>	<u>2,850,000</u>
	<u>\$ 4,676,117</u>	<u>\$ 4,710,333</u>

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2003, the Township accounts were insured by the FDIC for \$502,013 and the amount of \$4,208,320 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2003, the carrying amounts and market values for the investments are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds	\$ 515,153	\$ 515,153

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note B. The following summarizes the categorization of these amounts as of December 31, 2003:

Cash and cash equivalents	\$ 4,576,062
Investments	<u>615,408</u>
	<u>\$ 5,191,470</u>

The cash and cash equivalents caption on the combined balance sheet include \$200 in petty cash.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2003, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		General	
Current Tax Collections	\$ 357,326	Enterprise	
Trust and Agency	<u>113</u>	Sewer	\$ 21,585
	357,439	Trust and Agency	
Special Revenue		Current Tax Collections	
Street Lighting		General	357,326
Current Tax Collections	6,768	Street Lighting	6,768
		Sewer System	6,501
Enterprise		Trust and Agency	
Sewer System		General	113
General	21,585	Sewer	<u>2,321</u>
Current Tax Collections	6,501		
Trust and Agency	<u>2,321</u>		<u>373,029</u>
	<u>30,407</u>		
	<u>\$ 394,614</u>		<u>\$ 394,614</u>

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE E: FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Restated Balance Jan. 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance Dec. 31, 2003
Land	\$ 1,070,570	\$ -	\$ -	\$ 1,070,570
Land improvements	588,975	-	-	588,975
Buildings and improvements	1,404,044	88,779	-	1,492,823
Machinery and equipment	110,935	-	-	110,935
Vehicles	1,280,653	119,864	-	1,400,517
Office equipment and furniture	<u>76,700</u>	<u>-</u>	<u>-</u>	<u>76,700</u>
	<u>\$ 4,531,877</u>	<u>\$ 208,643</u>	<u>\$ -0-</u>	<u>\$ 4,740,520</u>

A summary of Proprietary Fund Type fixed assets at December 31, 2003, follows:

	<u>Enterprise</u>
Sewer system and lines	\$ 8,569,869
Less: accumulated depreciation	<u>(2,977,974 )</u>
Net fixed assets	<u>\$ 5,591,895</u>

The depreciation expense for the year ended December 31, 2003, is \$173,660.

The water system, including fixed assets, assessment rolls, contributed capital, and general long-term water debt, was transferred to Lansing Board of Water & Light in 1999.

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2003:

	Balance Jan. 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance Dec. 31, 2003
General Long-Term Debt				
2000 Building Authority Bonds	\$ 850,000	\$ -	\$ 25,000	\$ 825,000
Installment loan payable	185,136	-	58,805	126,331
Accrued vacation and sick pay	<u>62,336</u>	<u>13,597</u>	<u>-</u>	<u>75,933</u>
	1,097,472	13,597	83,805	1,027,264
Sewer System Fund				
1973 Revenue Bonds	1,375,000	-	100,000	1,275,000
2001 Sanitary Sewer Bonds	<u>550,000</u>	<u>-</u>	<u>25,000</u>	<u>525,000</u>
	<u>1,925,000</u>	<u>-0-</u>	<u>125,000</u>	<u>1,800,000</u>
	<u>\$ 3,022,472</u>	<u>\$ 13,597</u>	<u>\$ 208,805</u>	<u>\$ 2,827,264</u>

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$30,000 to \$75,000 through May 1, 2020, with interest ranging from 5.5 to 5.8 percent, payable semi-annually.	\$ 825,000
\$339,060 Installment Purchase Agreement due in annual installments ranging from \$61,666 to \$64,665 through September 24, 2005, with interest of 4.865 percent, payable annually.	126,331
\$3,550,000 Clinton County Sanitary Sewer Disposal System No. 4 Bonds dated November 1, 1973, due in annual installments ranging from \$100,000 to \$175,000 through November 1, 2013, with interest ranging from 4.00 to 5.75 percent, payable semi-annually.	1,275,000
\$600,000 Clinton County Sanitary Sewer Project Bonds, Series 2001, dated January 1, 2001, due in annual installments ranging from \$25,000 to \$45,000 through November 1, 2019, with interest ranging from 4.5 to 5.20 percent, payable semi-annually.	<u>525,000</u>
	<u>\$ 2,751,331</u>

Accrued Vacation and Sick Pay

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$75,933 for vacation and sick at December 31, 2003.

The annual requirements to pay the debt principal and interest outstanding for the bonds and contracts are as follows:

<u>Year Ending December 31,</u>	<u>2000 Building Authority Bonds</u>	<u>Clinton County Sanitary Sewage Disposal System No. 4 Bonds</u>	<u>Clinton County Sanitary Sewer Project Series 2001 Bonds</u>	<u>Installment Purchase Agreement</u>	<u>Total</u>
2004	\$ 75,180	\$ 167,350	\$ 49,608	\$ 67,812	\$ 359,950
2005	73,530	161,700	48,482	67,812	351,524
2006	71,880	181,000	47,358	-	300,238
2007	75,093	173,875	51,120	-	300,088
2008	73,168	166,750	49,770	-	289,688
2009-2013	373,388	802,125	233,270	-	1,408,783
2014-2018	391,845	-	226,643	-	618,488
2019-2020	<u>153,520</u>	<u>-</u>	<u>46,170</u>	<u>-</u>	<u>199,690</u>
	1,287,604	1,652,800	752,421	135,624	3,828,449
Less: interest	<u>( 462,604 )</u>	<u>( 377,800 )</u>	<u>( 227,421 )</u>	<u>( 9,293 )</u>	<u>( 1,077,118 )</u>
	<u>\$ 825,000</u>	<u>\$ 1,275,000</u>	<u>\$ 525,000</u>	<u>\$ 126,331</u>	<u>\$ 2,751,331</u>

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: RETIREMENT PLANS**

TOWNSHIP GENERAL

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System 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 the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended December 31, 2003, the Township's annual pension cost of \$85,347 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2001, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payment. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 33 years.

<u>Three (3) year trend information</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial value of assets	\$ 1,255,904	\$ 1,398,610	\$ 1,505,749
Actuarial Accrued Liability (entry age)	1,346,306	1,452,587	1,646,106
Unfunded (overfunded) AAL	90,402	53,977	140,357
Funded ratio	93.3 %	96.3 %	91.5 %
Covered payroll	504,362	534,547	665,422
UAAL as a percentage of covered payroll	18 %	10 %	21 %
Annual pension cost	52,307	52,914	63,886
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: RETIREMENT PLANS - CONTINUED**

**BOARD MEMBERS**

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2003, Bath charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of services. The eligibility computation period is in the three (3) month period that begins with the date hired.

**NOTE H: RISK MANAGEMENT**

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

The Township is exposed to various risks of loss for liability, property, automobile, boiler, and employers liability for which the Township carries commercial insurance.

**NOTE I: SEGMENT INFORMATION**

The Township operates the Sewer System and Water System utilities and the Parks and Recreation program providing services to the various Township residents. Segment information for the fiscal year ending December 31, 2003, is as follows:

	<u>Sewer System</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Total</u>
Operating revenues	\$ 805,682	\$ -	\$ -	\$ 805,682
Operating expenses				
Depreciation	173,660	-	-	173,660
Other	528,620	14,530	-	543,150
Operating income (loss)	103,402	( 14,530 )	-	88,872
Net income (loss)	836,402	( 14,298 )	( 13,085 )	809,019
Contributed capital	1,218,093	-	-	1,218,093
Net (decrease) in fixed assets	( 271,788 )	-	-	( 271,788 )
Net working capital	1,585,350	64,224	-	1,649,574
Investment in SCCMUA	1,301,165	-	-	1,301,165
Total assets	8,867,412	64,224	-	8,931,636
Long-term liabilities				
Revenue bonds payable	1,675,000	-	-	1,675,000
Total equity	6,966,978	64,224	-	7,031,202

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the general purpose financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2003, the Township incurred expenditures in one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Public improvement fund	\$ 195,254	\$ 196,690	\$ 1,436

**NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2003:

Debt Service	
Building Authority	
Reserved for debt service	<u>\$ 2,013</u>

The following are the various fund balance designations as of December 31, 2003:

Capital Projects	
Designated for capital projects	\$ 96,504
General Fund	
Designated for capital projects	<u>700,000</u>
	<u>\$ 796,504</u>

**NOTE L: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustment was made during the current period, which was the result of corrections of accounting errors. This adjustment was reported as a change to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	December 31,		
	<u>2003</u>	<u>2002</u>	<u>Description</u>
PRIMARY GOVERNMENT			
General Fund			
Prepaid expenditures	\$ -	\$ 37,279	Correct understated prepaid expenditures
Revenues over (under) expenditures	-	37,279	
Fund balance - beginning	37,279	-	

Bath Charter Township

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Bath Charter Township no later than the fiscal year ending December 31, 2004; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending December 31, 2008.

**NOTE N: DEFERRED COMPENSATION PLAN**

The Township of Bath offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. 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 trust requirement was designed by the Internal Revenue Service to help prevent participants from losing their retirement benefits to the claims of plan Sponsor's creditors. 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 purposes of providing direction to the custodian of the custodial account from time to time to the investment of the 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 32, plan balances and activities are not reflected in the Township's financial statements.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes			
Current property taxes			
General	\$ 838,864	\$ 816,500	\$ (22,364)
Police and fire	603,500	603,072	(428)
Payments in lieu of taxes	720	562	(158)
Trailer taxes	3,500	3,321	(179)
Total taxes	1,446,584	1,423,455	(23,129)
Licenses and permits			
Franchise fees	26,000	28,144	2,144
Intergovernmental			
State shared revenue	681,000	616,948	(64,052)
Contributions	6,500	-	(6,500)
Liquor licenses	3,200	3,966	766
Total intergovernmental	690,700	620,914	(69,786)
Charges for services			
Administration fees	9,500	9,500	-0-
Tax collection fees	68,000	105,239	37,239
Court fees	20,000	44,731	24,731
Park and recreation fees	12,000	15,870	3,870
Fire runs and protection	850	1,218	368
Police fees	1,200	1,493	293
Other	500	7,842	7,342
Total charges for services	112,050	185,893	73,843
Interest and rents			
Interest - regular	17,500	39,924	22,424
Interest - tax collections	6,000	3,610	(2,390)
Rental fees	20,000	37,093	17,093
Total interest and rents	43,500	80,627	37,127
Other			
Refunds and rebates	1,000	5,413	4,413
Reimbursements	50,500	14,060	(36,440)
Other sales	1,000	8,439	7,439
Total other	52,500	27,912	(24,588)
<b>TOTAL REVENUES</b>	<b>2,371,334</b>	<b>2,366,945</b>	<b>(4,389)</b>

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
General government			
Township Board			
Salaries and wages	\$ 26,000	\$ 18,888	\$ 7,112
Fringe benefits	22,500	5,675	16,825
Training and seminars	2,000	4,927	(2,927)
Contracted services	30,000	15,638	14,362
Insurance and bonds	100,000	96,157	3,843
Community promotion	34,000	24,957	9,043
Rentals	5,000	9,647	(4,647)
Miscellaneous	8,000	3,946	4,054
Total township board	227,500	179,835	47,665
Supervisor			
Salaries and wages	10,000	9,604	396
Fringe benefits	4,500	2,829	1,671
Supplies	100	-	100
Telephone	1,200	971	229
Miscellaneous	1,100	14	1,086
Total supervisor	16,900	13,418	3,482
Superintendent			
Salaries and wages	60,000	53,555	6,445
Fringe benefits	23,500	14,219	9,281
Mileage and expenses	500	-	500
Supplies	500	230	270
Telephone	1,500	614	886
Miscellaneous	2,000	585	1,415
Total superintendent	88,000	69,203	18,797
Elections			
Salaries and wages	5,000	-	5,000
Supplies	4,000	-	4,000
Mileage and expenses	100	-	100
Printing and publishing	500	-	500
Miscellaneous	1,400	-	1,400
Total elections	11,000	-0-	11,000

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES - CONTINUED</b>			
General government - continued			
Assessor			
Salaries and wages	\$ 34,500	\$ 33,951	\$ 549
Fringe benefits	17,000	17,073	(73)
Supplies	300	882	(582)
Contracted services	2,500	1,375	1,125
Printing and publishing	18,000	7,392	10,608
Postage	3,800	-	3,800
Training and seminars	800	871	(71)
Miscellaneous	400	531	(131)
<b>Total assessor</b>	<b>77,300</b>	<b>62,075</b>	<b>15,225</b>
Clerk			
Salaries and wages	64,340	59,174	5,166
Fringe benefits	30,000	19,218	10,782
Supplies	2,000	298	1,702
Printing and publishing	15,000	16,644	(1,644)
Miscellaneous	800	35	765
<b>Total clerk</b>	<b>112,140</b>	<b>95,369</b>	<b>16,771</b>
Board of review			
Salaries and wages	1,200	990	210
Fringe benefits	200	76	124
Miscellaneous	200	150	50
<b>Total board of review</b>	<b>1,600</b>	<b>1,216</b>	<b>384</b>
Treasurer			
Salaries and wages	68,000	67,586	414
Fringe benefits	40,000	32,806	7,194
Supplies	1,700	772	928
Mileage and expenses	200	-	200
Contracted services	200	-	200
Postage	1,000	-	1,000
Maintenance and repairs	300	-	300
Training and seminars	1,000	604	396
Miscellaneous	3,500	1,543	1,957
<b>Total treasurer</b>	<b>115,900</b>	<b>103,311</b>	<b>12,589</b>

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES - CONTINUED</b>			
General government - continued			
Building and grounds			
Fringe benefits	\$ -	\$ 2,754	\$ (2,754)
Supplies	10,000	9,721	279
Gasoline	2,600	2,809	(209)
Contracted services	1,500	2,500	(1,000)
Printing and publishing	10,000	11,205	(1,205)
Telephone	10,000	13,112	(3,112)
Utilities	13,000	15,493	(2,493)
Repairs and maintenance	15,000	8,859	6,141
Dues and memberships	10,000	5,730	4,270
Miscellaneous	14,500	8,432	6,068
Capital outlay	4,000	4,350	(350)
	<u>90,600</u>	<u>84,965</u>	<u>5,635</u>
Total building and grounds			
Senior center			
Salaries and wages	14,000	12,607	1,393
Fringe benefits	1,800	1,233	567
Supplies	800	208	592
Telephone	900	661	239
Utilities	3,500	2,103	1,397
Repairs and maintenance	5,000	1,282	3,718
Miscellaneous	1,100	20	1,080
Capital outlay	300	778	(478)
	<u>27,400</u>	<u>18,892</u>	<u>8,508</u>
Total senior center			
Other			
Professional services			
Audit	20,000	17,140	2,860
Legal	35,000	33,296	1,704
Engineering	15,000	6,316	8,684
Computer	35,200	20,976	14,224
Miscellaneous	-	35	(35)
	<u>105,200</u>	<u>77,763</u>	<u>27,437</u>
Total other			
Total general government			
	<u>873,540</u>	<u>706,047</u>	<u>167,493</u>

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES - CONTINUED</b>			
Public safety			
Police department			
Salaries and wages	\$ 510,101	\$ 516,524	\$ (6,423)
Fringe benefits	185,500	205,500	(20,000)
Office supplies	2,000	835	1,165
Operating supplies	3,500	4,276	(776)
Uniforms	8,500	5,363	3,137
Gasoline	15,000	15,544	(544)
Communications	12,400	11,035	1,365
Repairs and maintenance	14,500	12,118	2,382
Training and seminars	4,500	3,729	771
Miscellaneous	3,500	2,922	578
Capital outlay	10,000	616	9,384
Vehicle replacement	56,500	44,596	11,904
	<u>826,001</u>	<u>823,058</u>	<u>2,943</u>
Total police department			
Fire department			
Salaries and wages	104,300	102,903	1,397
Fringe benefits	18,000	21,460	(3,460)
Office supplies	300	166	134
Operating supplies	5,300	3,119	2,181
Uniforms	1,200	275	925
Gasoline	2,300	1,992	308
Communications	5,500	5,648	(148)
Utilities	10,500	13,070	(2,570)
Repairs and maintenance	6,300	4,421	1,879
Training and seminars	5,500	3,239	2,261
Miscellaneous	700	996	(296)
Capital outlay	24,000	23,206	794
	<u>183,900</u>	<u>180,495</u>	<u>3,405</u>
Total fire department			
Total public safety			
	<u>1,009,901</u>	<u>1,003,553</u>	<u>6,348</u>

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable - (Unfavorable)
<b>EXPENDITURES - CONTINUED</b>			
Public works			
Department of public works			
Salaries and wages	\$ 65,000	\$ 61,958	\$ 3,042
Fringe benefits	35,000	27,234	7,766
Operating supplies	1,500	5,948	(4,448)
Gasoline	2,600	356	2,244
Rentals	1,000	743	257
Telephone	1,500	447	1,053
Repairs and maintenance	4,500	8,640	(4,140)
Drains at large	20,000	28,890	(8,890)
Roads	160,000	147,330	12,670
Miscellaneous	500	1,164	(664)
Capital outlay	2,500	2,245	255
Debt repayment	8,000	-	8,000
Total public works	302,100	284,955	17,145
Recreation and cultural			
Parks and recreation			
Salaries and wages	18,000	13,112	4,888
Fringe benefits	3,000	1,002	1,998
Office supplies	300	-	300
Operating supplies	4,000	3,317	683
Rentals	3,000	2,541	459
Recreation programs	12,600	11,353	1,247
Miscellaneous	2,300	1,537	763
Capital outlay	28,889	23,421	5,468
Total recreation and cultural	72,089	56,283	15,806
Debt service			
Principal	58,805	58,805	-0-
Interest	9,007	9,007	-0-
Total debt service	67,812	67,812	-0-
Capital outlay	40,713	37,350	3,363
<b>TOTAL EXPENDITURES</b>	<b>2,366,155</b>	<b>2,156,000</b>	<b>210,155</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>5,179</b>	<b>210,945</b>	<b>205,766</b>

Bath Charter Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfer out	\$ (73,068)	\$ (71,968)	\$ 1,100
Residual equity transfer in	13,389	13,389	-0-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL OTHER FINANCING SOURCES (USES)	(59,679)	(58,579)	1,100
	<u>                    </u>	<u>                    </u>	<u>                    </u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(54,500)	152,366	206,866
Fund balance, beginning of year	1,096,894	1,096,894	-0-
Prior period adjustments	-	37,279	37,279
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance, end of year	<u>\$ 1,042,394</u>	<u>\$ 1,286,539</u>	<u>\$ 244,145</u>

Bath Charter Township  
Special Revenue Funds  
COMBINING BALANCE SHEET  
December 31, 2003

	Police Training	Street Lighting	Drug Forfeiture	Cemetery
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,987	\$ 33,627	\$ 26,690	\$ 59,883
Special assessments receivable	-	34,527	-	-
Due from other funds	-	6,768	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,987</b>	<b>\$ 74,922</b>	<b>\$ 26,690</b>	<b>\$ 59,883</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 450	\$ 3,077	\$ 5,347	\$ -
Deferred revenue	-	45,888	-	-
<b>TOTAL LIABILITIES</b>	<b>450</b>	<b>48,965</b>	<b>5,347</b>	<b>-0-</b>
<b>FUND BALANCES</b>				
Unreserved - undesignated	1,537	25,957	21,343	59,883
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,987</b>	<b>\$ 74,922</b>	<b>\$ 26,690</b>	<b>\$ 59,883</b>

<u>Public Improvement</u>	<u>Building and Zoning</u>	<u>Budget Stabilization</u>	<u>Total</u>
\$ -	\$ 136,555	\$ 168,928	\$ 427,670
-	-	-	34,527
-	-	-	6,768
<u>\$ -0-</u>	<u>\$ 136,555</u>	<u>\$ 168,928</u>	<u>\$ 468,965</u>
\$ -	\$ 585	\$ -	\$ 9,459
-	-	-	45,888
-0-	585	-0-	55,347
-	135,970	168,928	413,618
<u>\$ -0-</u>	<u>\$ 136,555</u>	<u>\$ 168,928</u>	<u>\$ 468,965</u>

Bath Charter Township

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

Year Ended December 31, 2003

	Police Training	Street Lighting	Drug Forfeiture	Cemetery
<b>REVENUES</b>				
Intergovernmental - State	\$ 1,125	\$ -	\$ -	\$ -
Fines and forfeits	-	-	126	-
Charges for services	-	-	-	19,181
Licenses and permits	-	-	-	-
Interest	31	-	946	1,338
Special assessments	-	44,501	-	-
Other	-	477	250	-
<b>TOTAL REVENUES</b>	<b>1,156</b>	<b>44,978</b>	<b>1,322</b>	<b>20,519</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	4,021
Public safety	524	-	18,081	-
Public works	-	36,058	-	-
Capital outlay	-	-	-	14,151
<b>TOTAL EXPENDITURES</b>	<b>524</b>	<b>36,058</b>	<b>18,081</b>	<b>18,172</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>632</b>	<b>8,920</b>	<b>(16,759)</b>	<b>2,347</b>
<b>OTHER FINANCING USES</b>				
Residual equity transfer out	-	-	-	-
<b>EXCESS OF REVENUES AND OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>632</b>	<b>8,920</b>	<b>(16,759)</b>	<b>2,347</b>
Fund balances, beginning of year	905	17,037	38,102	57,536
Fund balances, end of year	<u>\$ 1,537</u>	<u>\$ 25,957</u>	<u>\$ 21,343</u>	<u>\$ 59,883</u>

Public Improvement	Building and Zoning	Budget Stabilization	Total
\$ -	\$ -	\$ -	\$ 1,125
-	-	-	126
-	13,895	-	33,076
-	277,814	-	277,814
4,472	2,774	3,841	13,402
-	-	-	44,501
-	935	-	1,662
4,472	295,418	3,841	371,706
-	-	-	4,021
-	276,609	-	295,214
-	-	-	36,058
-	-	-	14,151
-0-	276,609	-0-	349,444
4,472	18,809	3,841	22,262
(196,690)	-	-	(196,690)
(192,218)	18,809	3,841	(174,428)
192,218	117,161	165,087	588,046
\$ -0-	\$ 135,970	\$ 168,928	\$ 413,618

Bath Charter Township

Police Training Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental - State	\$ 1,000	\$ 1,125	\$ 125
Interest	-	31	31
	<u>1,000</u>	<u>1,156</u>	<u>156</u>
TOTAL REVENUES			
EXPENDITURES			
Public safety			
Training and seminars	900	524	376
	<u>900</u>	<u>524</u>	<u>376</u>
EXCESS OF REVENUES OVER EXPENDITURES	100	632	532
Fund balance, beginning of year	<u>905</u>	<u>905</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1,005</u></u>	<u><u>\$ 1,537</u></u>	<u><u>\$ 532</u></u>

Bath Charter Township

Street Lighting Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ -	\$ 44,501	\$ 44,501
Other	46,751	477	(46,274)
	<u>46,751</u>	<u>44,978</u>	<u>(1,773)</u>
TOTAL REVENUES	46,751	44,978	(1,773)
EXPENDITURES			
Public works			
Utilities	46,751	36,058	10,693
	<u>46,751</u>	<u>36,058</u>	<u>10,693</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	8,920	8,920
Fund balance, beginning of year	<u>17,037</u>	<u>17,037</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 17,037</u>	<u>\$ 25,957</u>	<u>\$ 8,920</u>

Bath Charter Township

Drug Forfeiture Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
REVENUES			
Fines and forfeits	\$ 2,100	\$ 126	\$ (1,974)
Interest	500	946	446
Other	900	250	(650)
	<u>3,500</u>	<u>1,322</u>	<u>(2,178)</u>
TOTAL REVENUES			
EXPENDITURES			
Public safety			
Miscellaneous	<u>23,000</u>	<u>18,081</u>	<u>4,919</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(19,500)	(16,759)	2,741
Fund balance, beginning of year	<u>38,102</u>	<u>38,102</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 18,602</u>	<u>\$ 21,343</u>	<u>\$ 2,741</u>

Bath Charter Township

Cemetery Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 20,500	\$ 19,181	\$ (1,319)
Interest	1,000	1,338	338
	<u>21,500</u>	<u>20,519</u>	<u>(981)</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
General government			
Operating supplies	3,000	2,395	605
Repairs and maintenance	1,000	188	812
Other	1,650	1,438	212
Capital outlay	20,500	14,151	6,349
	<u>26,150</u>	<u>18,172</u>	<u>7,978</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	(4,650)	2,347	6,997
Fund balance, beginning of year	<u>57,536</u>	<u>57,536</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 52,886</u></u>	<u><u>\$ 59,883</u></u>	<u><u>\$ 6,997</u></u>

Bath Charter Township

Public Improvement Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ -	\$ 4,472	\$ 4,472
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	4,472	4,472
OTHER FINANCING USES			
Residual equity transfer out	(195,254)	(196,690)	(1,436)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(195,254)	(192,218)	3,036
Fund balance, beginning of year	192,218	192,218	-0-
Fund balance (deficit), end of year	<u>\$ (3,036)</u>	<u>\$ -0-</u>	<u>\$ 3,036</u>

Bath Charter Township

Building and Zoning Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Licenses and permits			
Building and zoning permits	\$ 285,000	\$ 277,814	\$ (7,186)
Charges for services			
Compliance fees	2,000	-	(2,000)
Zoning application fees	5,000	13,895	8,895
Interest	1,000	2,774	1,774
Other	500	935	435
	<u>293,500</u>	<u>295,418</u>	<u>1,918</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Public safety			
Salaries	115,000	3,490	111,510
Fringe benefits	-	267	(267)
Supplies	1,000	131	869
Contracted services	160,000	272,228	(112,228)
Other	2,200	493	1,707
	<u>278,200</u>	<u>276,609</u>	<u>1,591</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	15,300	18,809	3,509
Fund balance, beginning of year	<u>117,161</u>	<u>117,161</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 132,461</u></u>	<u><u>\$ 135,970</u></u>	<u><u>\$ 3,509</u></u>

Bath Charter Township

Budget Stabilization Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended December 31, 2003

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ -	\$ 3,841	\$ 3,841
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	3,841	3,841
Fund balance, beginning of year	165,087	165,087	-0-
Fund balance, end of year	<u>\$ 165,087</u>	<u>\$ 168,928</u>	<u>\$ 3,841</u>

Bath Charter Township

Enterprise Funds

COMBINING BALANCE SHEET

December 31, 2003

	Sewer System	Water System	Parks and Recreation	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,659,094	\$ 64,224	\$ -	\$ 1,723,318
Assessments receivable	5,967	-	-	5,967
Accounts receivable	32,622	-	-	32,622
Due from other funds	30,407	-	-	30,407
<b>Total current assets</b>	<b>1,728,090</b>	<b>64,224</b>	<b>-0-</b>	<b>1,792,314</b>
Other assets				
Investment in SCCMUA	1,301,165	-	-	1,301,165
Investments	246,262	-	-	246,262
<b>Total other assets</b>	<b>1,547,427</b>	<b>-0-</b>	<b>-0-</b>	<b>1,547,427</b>
Fixed assets				
Property, plant, and equipment	8,569,869	-	-	8,569,869
Accumulated depreciation	(2,977,974)	-	-	(2,977,974)
<b>Net fixed assets</b>	<b>5,591,895</b>	<b>-0-</b>	<b>-0-</b>	<b>5,591,895</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,867,412</b>	<b>\$ 64,224</b>	<b>\$ -0-</b>	<b>\$ 8,931,636</b>

Bath Charter Township

Enterprise Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Sewer System	Water System	Parks and Recreation	Total
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 2,320	\$ -	\$ -	\$ 2,320
Accrued interest payable	15,420	-	-	15,420
Current portion of long-term debt	125,000	-	-	125,000
Total current liabilities	142,740	-0-	-0-	142,740
Noncurrent liabilities				
Deferred revenue	82,694	-	-	82,694
Revenue bonds payable	1,675,000	-	-	1,675,000
Total noncurrent liabilities	1,757,694	-0-	-0-	1,757,694
<b>TOTAL LIABILITIES</b>	<b>1,900,434</b>	<b>-0-</b>	<b>-0-</b>	<b>1,900,434</b>
<b>FUND EQUITY</b>				
Contributed capital	1,218,093	-	-	1,218,093
Retained earnings Unreserved	5,748,885	64,224	-	5,813,109
<b>TOTAL FUND EQUITY</b>	<b>6,966,978</b>	<b>64,224</b>	<b>-0-</b>	<b>7,031,202</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 8,867,412</b>	<b>\$ 64,224</b>	<b>\$ -0-</b>	<b>\$ 8,931,636</b>

Bath Charter Township

Enterprise Funds

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

Year Ended December 31, 2003

	Sewer System	Water System	Parks and Recreation	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 805,682	\$ -	\$ -	\$ 805,682
<b>OPERATING EXPENSES</b>				
Contractual services	516,044	-	-	516,044
Administrative expense	9,500	-	-	9,500
Supplies	1,077	-	-	1,077
Other	1,999	14,530	-	16,529
Depreciation	173,660	-	-	173,660
<b>TOTAL OPERATING EXPENSES</b>	<b>702,280</b>	<b>14,530</b>	<b>-0-</b>	<b>716,810</b>
<b>OPERATING INCOME (LOSS)</b>	<b>103,402</b>	<b>(14,530)</b>	<b>-0-</b>	<b>88,872</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Equity interest in 2003 SCCMUA operations	106,828	-	-	106,828
Tap in fees	643,582	-	-	643,582
Special assessments	64,683	-	-	64,683
Interest revenue	16,107	632	304	17,043
Other	79	-	-	79
Interest expense	(98,141)	-	-	(98,141)
Fiscal agent fees	(138)	(400)	-	(538)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>733,000</b>	<b>232</b>	<b>304</b>	<b>733,536</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>836,402</b>	<b>(14,298)</b>	<b>304</b>	<b>822,408</b>
<b>TRANSFER OUT</b>				
Residual equity transfer out	-	-	(13,389)	(13,389)
<b>NET INCOME (LOSS)</b>	<b>836,402</b>	<b>(14,298)</b>	<b>(13,085)</b>	<b>809,019</b>
Add depreciation on fixed assets acquired with grants and shared revenues that reduces contributed capital	29,325	-	-	29,325
<b>INCREASE (DECREASE) IN RETAINED EARNINGS</b>	<b>865,727</b>	<b>(14,298)</b>	<b>(13,085)</b>	<b>838,344</b>
Retained earnings, beginning of year	4,883,158	78,522	13,085	4,974,765
Retained earnings, end of year	<u>\$ 5,748,885</u>	<u>\$ 64,224</u>	<u>\$ -0-</u>	<u>\$ 5,813,109</u>

Bath Charter Township

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Sewer System	Water System	Parks and Recreation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 103,402	\$ (14,530)	\$ -	\$ 88,872
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	173,660	-	-	173,660
Decrease in accounts receivable	1,148	-	-	1,148
Decrease in assessments receivable	16,723	-	-	16,723
(Increase) in due from other funds	(12,573)	-	-	(12,573)
Increase in accounts payable	2,320	-	-	2,320
(Decrease) in accrued interest payable	(1,129)	-	-	(1,129)
(Decrease) in deferred revenue	(18,900)	-	-	(18,900)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>264,651</b>	<b>(14,530)</b>	<b>-0-</b>	<b>250,121</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tap in fees	643,582	-	-	643,582
Fiscal agent fees	(138)	(400)	-	(538)
Residual equity transfer out	-	-	(13,389)	(13,389)
Other	79	-	-	79
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>643,523</b>	<b>(400)</b>	<b>(13,389)</b>	<b>629,734</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special assessments	64,683	-	-	64,683
Interest expense	(98,141)	-	-	(98,141)
Capital acquisitions	(372,897)	-	-	(372,897)
Payments of borrowing	(125,000)	-	-	(125,000)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(531,355)</b>	<b>-0-</b>	<b>-0-</b>	<b>(531,355)</b>

Bath Charter Township

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2003

	Sewer System	Water System	Parks and Recreation	Total
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	\$ 16,107	\$ 632	\$ 304	\$ 17,043
Maturities of investments	778,675	-	-	778,675
Purchases of investments	(246,262)	-	-	(246,262)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>548,520</u>	<u>632</u>	<u>304</u>	<u>549,456</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	925,339	(14,298)	(13,085)	897,956
Cash and cash equivalents, beginning of year	<u>733,755</u>	<u>78,522</u>	<u>13,085</u>	<u>825,362</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,659,094</u></u>	<u><u>\$ 64,224</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 1,723,318</u></u>

Note: The Township also adjusted its equity interest in 2003 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund for \$106,828, to reflect the current year activity at SCCUMA.

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2003

All Agency Funds

	<u>Balance</u> <u>Jan. 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2003</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 530,117	\$ 14,910,730	\$ 14,179,879	\$ 1,260,968
Investments	<u>1,000,000</u>	<u>3,400,000</u>	<u>4,400,000</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,530,117</u></b>	<b><u>\$ 18,310,730</u></b>	<b><u>\$ 18,579,879</u></b>	<b><u>\$ 1,260,968</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 91,659	\$ 90,357	\$ 1,302
Due to other governmental units				
Federal/State	223,262	1,846,906	2,066,423	3,745
County	253,784	1,137,712	1,143,139	248,357
Schools	647,155	4,351,709	4,401,733	597,131
Due to other funds				
General	356,317	1,524,613	1,523,491	357,439
Sewer	6,833	44,462	44,794	6,501
Water	-	2,321	-	2,321
Street Lights	7,003	43,269	43,504	6,768
Due to individuals and agencies	3,785	179,851	176,614	7,022
Due to developers	<u>31,978</u>	<u>67,080</u>	<u>68,676</u>	<u>30,382</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,530,117</u></b>	<b><u>\$ 9,197,923</u></b>	<b><u>\$ 9,468,374</u></b>	<b><u>\$ 1,260,968</u></b>

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED

Year Ended December 31, 2003

	<u>Balance</u> <u>Jan. 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2003</u>
<u>Current Tax Collections Fund</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 494,911	\$ 13,860,192	\$ 13,130,567	\$ 1,224,536
Investments	1,000,000	3,400,000	4,400,000	-0-
<b>TOTAL ASSETS</b>	<u>\$ 1,494,911</u>	<u>\$ 17,260,192</u>	<u>\$ 17,530,567</u>	<u>\$ 1,224,536</u>
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 223,262	\$ 1,659,482	\$ 1,878,999	\$ 3,745
County	251,850	1,137,712	1,143,139	246,423
Schools	647,155	4,351,709	4,401,733	597,131
Due to other funds				
General	356,204	1,524,069	1,522,947	357,326
Sewer system	6,833	44,462	44,794	6,501
Street lighting	7,003	43,269	43,504	6,768
Due to individual and agencies	2,604	120,134	116,096	6,642
<b>TOTAL LIABILITIES</b>	<u>\$ 1,494,911</u>	<u>\$ 8,880,837</u>	<u>\$ 9,151,212</u>	<u>\$ 1,224,536</u>
<u>Trust and Agency Fund</u>				
<b>ASSETS</b>				
Cash	<u>\$ 34,024</u>	<u>\$ 86,642</u>	<u>\$ 85,917</u>	<u>\$ 34,749</u>
<b>LIABILITIES</b>				
Due to developers	\$ 31,978	\$ 67,080	\$ 68,676	\$ 30,382
Due to other funds				
General	113	544	544	113
Water system	-	2,321	-	2,321
Due to other governmental units	1,933	-	-	1,933
<b>TOTAL LIABILITIES</b>	<u>\$ 34,024</u>	<u>\$ 69,945</u>	<u>\$ 69,220</u>	<u>\$ 34,749</u>

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED

Year Ended December 31, 2003

	<u>Balance</u> <u>Jan. 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 2003</u>
<u>Detective Bureau Fund</u>				
ASSETS				
Cash	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
LIABILITIES				
Due to other governmental units	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<u>Payroll Clearing Account</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 1,181</u>	<u>\$ 963,896</u>	<u>\$ 963,395</u>	<u>\$ 1,682</u>
LIABILITIES				
Accounts payable	\$ -	\$ 91,659	\$ 90,357	\$ 1,302
Due to other governmental units				
Federal/State	-	187,424	187,424	-0-
Due to individuals and agencies	<u>1,181</u>	<u>59,717</u>	<u>60,518</u>	<u>380</u>
TOTAL LIABILITIES	<u>\$ 1,181</u>	<u>\$ 247,141</u>	<u>\$ 247,942</u>	<u>\$ 1,682</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

We have audited the financial statements of Bath Charter Township for the year ended December 31, 2003, and have issued our report thereon dated February 25, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 4, 2002, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bath Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2003. We noted no transactions entered into by Bath Charter Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is lack of authoritative guidance or consensus.

Accounting Estimates

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

### Audit Adjustments

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

### Disagreements with Management

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

### Consultations with Other Independent Accountants

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

### Issues Discussed Prior to Retention of Independent Auditors

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

### Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the management and the Board of Trustees of Bath Charter Township and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 25, 2004

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MANAGEMENT LETTER

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Bath Charter Township for the year ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. General ledger postings should be reviewed for accuracy.

During our review of the trial balances, we noted several instances in which adjusting entries had been posted to the wrong accounts and/or funds.

We suggest that entries are reviewed for accuracy to assure that all entries are posted to the correct accounts, the correct funds, and for the proper amounts.

2. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, budgeted activities of the Township exceeded the amounts appropriated. The variance noted was in the Public Improvement Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Township shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township monitor expenditures against the adopted budget on a periodic basis, preferable monthly. Appropriate budget amendments should be made as needed.

3. Bank reconciliations should be completed in a timely manner on a monthly basis.

During our analysis of the Township's general ledger cash balances, we noted that the Township experienced difficulty reconciling the pooled General Account in November and December 2003. After discussions with the Township Treasurer and further review of the general ledger activity, it was determined that the majority of the unreconciled difference for this account was directly related to automatic journal entries that post through the payroll process. These automatic journal entries first accrued in November 2003 as the result of an upgrade to the Fund Balance software. Bank reconciliations through December 31, 2003, were completed by the Treasurer prior to the completion of our fieldwork.

We suggest that bank reconciliations for all bank accounts be completed in a timely manner on a monthly basis to ensure the accuracy of the general ledger system and to strengthen and improve internal controls.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated February 25, 2004.

This report is intended solely for the use of management and the Board of Trustees of Bath Charter Township and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 25, 2004