

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Van Buren	County Wayne
Audit Date December 31, 2003	Opinion Date April 15, 2004	Date Accountant Report Submitted To State: June 8, 2004	

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

We affirm that:

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

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

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104-1923
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Van Buren Wayne County, Michigan

**Financial Report
with Supplemental Information
December 31, 2003**

Charter Township of Van Buren

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Independent Auditor's Report

To the Township Board
Charter Township of Van Buren
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2003, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board
Charter Township of Van Buren
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2004 on our consideration of the Charter Township of Van Buren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note I, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003. As discussed in Note I, the Township changed its method of accounting for state-shared revenue.

Plante & Moran, PLLC

April 15, 2004

Charter Township of Van Buren

Management's Discussion and Analysis

Overview of the Financial Statements

The Charter Township of Van Buren's 2003 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities** - Most of the Township's basic services are included here, such as the police, fire, public works, community services, and general administration. Property taxes, state-shared revenue, landfill royalties, and charges for services provide most of the funding.
- **Business-type activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.
- **Component units** - The Township includes three other entities in its report: the Downtown Development Authority, the Local Development Finance Authority, and the Economic Development Corporation. Although legally separate, these "component units" are important because the Township is financially accountable for them.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- Fiduciary funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Financial Overview

Van Buren has combined total net assets of \$72.1 million. This is an increase over 2002 of \$6.0 million. Business-type activities comprise \$50.7 million, and governmental activities make up \$21.4 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

TABLE I (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets:						
Current assets	\$ 19,650	\$ 18,518	\$ 10,081	\$ 8,695	\$ 29,731	\$ 27,213
Noncurrent assets	<u>7,439</u>	<u>7,126</u>	<u>58,297</u>	<u>54,976</u>	<u>65,736</u>	<u>62,102</u>
Total assets	27,089	25,644	68,378	63,671	95,467	89,315
Liabilities:						
Current liabilities	5,660	5,462	6,482	5,361	12,142	10,823
Long-term liabilities	<u>47</u>	<u>57</u>	<u>11,174</u>	<u>12,345</u>	<u>11,221</u>	<u>12,402</u>
Total liabilities	<u>5,707</u>	<u>5,519</u>	<u>17,656</u>	<u>17,706</u>	<u>23,363</u>	<u>23,225</u>
Net assets:						
Invested in capital assets - Net of related debt	7,439	7,126	35,324	32,415	42,763	39,541
Restricted	827	1,042	11,800	10,193	12,627	11,235
Unrestricted	<u>13,116</u>	<u>11,957</u>	<u>3,598</u>	<u>3,357</u>	<u>16,714</u>	<u>15,314</u>
Total net assets	<u>\$ 21,382</u>	<u>\$ 20,125</u>	<u>\$ 50,722</u>	<u>\$ 45,965</u>	<u>\$ 72,104</u>	<u>\$ 66,090</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased \$1.2 million for the governmental activities. The Township is able to report positive balances in all three categories of net assets, both for the governmental activities and business-type activities.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2003:

TABLE 2 (in thousands)

	Governmental Activities	Business- type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 2,414	\$ 4,341	\$ 6,755
Operating grants and contributions	727	-	727
Capital grants and contributions	119	1,731	1,850
General revenue:			
Property taxes	3,050	4,566	7,616
State-shared revenue	2,551	-	2,551
Unrestricted fees and other	193	-	193
Unrestricted investment earnings	198	256	454
Landfill royalties	2,837	-	2,837
Total revenue	12,089	10,894	22,983
Program Expenses			
General government	2,199	-	2,199
Public safety	5,967	-	5,967
Public works	390	-	390
Community and economic development	876	-	876
Recreation and culture	1,400	-	1,400
Water and sewer	-	6,137	6,137
Total program expenses	10,832	6,137	16,969
Change in Net Assets	\$ 1,257	\$ 4,757	\$ 6,014

Governmental Activities

Revenues for governmental activities totaled \$ 12.1 million. A total of \$3.1 million was in the form of property tax collections. Charges for services such as court fines, building permits, and recreation fees accounted for \$2.4 million in revenue. State-shared revenues continue to be of concern. While they provided \$2.5 million, we are uncertain what will happen in 2004 given the State's financial difficulties. Landfill royalties brought in \$2.8 million in 2003.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Business-type Activities

The Charter Township of Van Buren has one business-type activity, the water and sewer operation. Revenues for business-type activities were \$10.9 million. Water is provided to the Charter Township of Van Buren's residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with South Huron Valley Utility Authority, Wayne County, the Downriver Sewage System, and the Ypsilanti Community Utility Authority.

Current Economic Events

The Township's tax base averaged a strong 18.1 percent annual growth and currently stands at a solid \$1.1 billion of state equalized value (which represents approximately one-half the true market value). The taxable value of the Township stood at \$841 million in 2003, which is an increase of 10 percent over 2002. The Township's overall debt burden is moderate at \$2,234 per capita. May 2003 saw a renewal of our public safety millage of three mills used to fund routine, ongoing operations in the five components that comprise public safety: police, fire, emergency dispatch, emergency management, and animal control. The community's support for a renewal of this millage helped to maintain the level of service expected of public safety and provided about 50 percent of the department's annual operating revenue. The remaining 50 percent of the approximately \$5 million annual public safety operating budget is derived from contributions from the Township's General Fund and Landfill Fund.

While development continues to be the number one issue facing the Township, the pace of development continued, for the second straight year, to be less than the previous year. Undoubtedly, this is due to the national and state economies, with many private sector enterprises experiencing belt-tightening, downsizing, or simply holding off on new projects. Throughout the year, work continued in a number of the residential neighborhoods, with approval being granted for a new residential project in the area of Hoelt and Huron River Drive and the Belleville Road Walgreens. In 2003, 889 building, 779 electrical, 904 mechanical, and 568 plumbing permits were issued, totaling approximately \$850,000.

The Township's General Fund budget in 2003 was \$10.7 million, and again, the General Fund budget and all other Township budgets were balanced. The General Fund budget also reflected a healthy "fund balance" or "rainy day" savings. The Township currently has a fund balance in excess of 25 percent of annual expenses, which we believe is prudent during these times of financial uncertainty. If needed, this money could be used to offset declines in revenue in the future in order to meet operating expenses.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Revenue sharing continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2004/2005 calls for a level funding for state revenue-sharing payments. Unfortunately, we are significantly below earlier levels. In 2003, the Township received less state-shared revenue than was received in 2000. Since 2000, the Township has lost \$844,533 in state-shared revenue. This reduction is particularly dramatic when you consider state-shared revenue is about 20 percent to 25 percent of the Township's annual revenue stream and these cuts have occurred during a period of unprecedented change and growth in our community.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2003 with a fund balance of \$3.9 million, with \$113,000 reserved for prepaids. Total revenues were \$8.7 million, excluding a transfer in from the Landfill Fund of \$1.9 million. Tax revenue was up due to increased taxable value. Tax collections were \$2.6 million for 2003, which is an increase of \$219,000 over 2002. State-shared revenue was \$2.5 million, and licenses and permit revenue was \$1.7 million. Total expenditures were \$10.5 million. The cost of public safety (the five components comprising police, fire, emergency dispatch, emergency management, and animal control) alone is approximately \$5 million of the operating budget.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from being over budget. With that in mind, the General Fund expenditures were 98 percent of budget. No major General Fund areas were significantly under or over budget with the exception of state-shared revenue, which came in approximately \$353,000 over budget due to the change in accounting method for recognizing the revenue as discussed in Note I to the financial statements.

Capital Assets and Debt

At the end of 2003, the Township had approximately \$54 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation.

Debt related to the water and sewer system totaling \$11.2 million is recorded as a liability in the business-type activities in the statement of net assets.

In 2003, the Township earned its first ratings by national independent financial ratings agencies. In 2003, Standard & Poors rated the Township as A- "stable" and Moody's Investors Service gave the Township an A3 rating. The process of becoming a "rated" community was relative to the Visteon world headquarters project currently underway and slated for completion in July 2004. The ratings process was an arduous one that included a thorough examination of the financial health of our community, similar to an intensive financial audit. This included a review of current and past budgets, audit reports, percentage of fund balance compared to operational costs, and current and encumbered debt. It also included an analysis of the growth of our tax base and existing land uses, and key components of the Visteon project.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition and to show the Township's accountability for money it receives. Should you have further questions, we welcome you to contact the Clerk's office.

Charter Township of Van Buren

Statement of Net Assets (Deficit) December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 15,684,163	\$ 4,077,744	\$ 19,761,907	\$ 1,644,940
Receivables - Net:				
Property taxes	2,908,246	4,126,795	7,035,041	1,368,025
Special assessments	144,854	3,673	148,527	-
Customers	-	934,372	934,372	-
Accrued interest and other receivables	398,853	408,220	807,073	-
Internal balances	(1,650)	1,650	-	-
Due from governmental units	401,412	509,721	911,133	-
Prepaid expenditures	114,090	18,495	132,585	-
Long-term assessment receivable	-	18,936	18,936	-
Restricted assets (Note 7)	-	11,800,489	11,800,489	12,694,864
Capital assets (Note 4):				
Capital assets not being depreciated	262,300	3,455,647	3,717,947	-
Capital assets being depreciated - Net	7,176,344	43,022,350	50,198,694	1,225,790
Total assets	27,088,612	68,378,092	95,466,704	16,933,619
Liabilities				
Accounts payable	2,008,465	806,336	2,814,801	58,170
Accrued and other liabilities	308,171	735,650	1,043,821	345,894
Due to other governmental units	-	-	-	2,700
Cash bonds and deposits	195,438	-	195,438	-
Deferred revenue	3,147,603	4,940,073	8,087,676	1,368,025
Noncurrent liabilities (Note 6):				
Due within one year	-	1,209,407	1,209,407	520,000
Due in more than one year	46,756	9,964,567	10,011,323	32,369,656
Total liabilities	5,706,433	17,656,033	23,362,466	34,664,445
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	7,438,644	35,323,934	42,762,578	1,225,790
Restricted:				
Law enforcement	198,654	-	198,654	-
911 service	427,120	-	427,120	-
Museum capital projects	21,607	-	21,607	-
Bemis Road capital projects	178,645	-	178,645	-
Hannan Road capital projects	1,142	-	1,142	-
Water and sewer line construction and debt (Note 7)	-	11,800,489	11,800,489	-
Debt service	-	-	-	3,538,296
Working capital reserve	-	-	-	350,000
Unrestricted	13,116,367	3,597,636	16,714,003	(22,844,912)
Total net assets (deficit)	\$ 21,382,179	\$ 50,722,059	\$ 72,104,238	\$ (17,730,826)

Charter Township of Van Buren

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and	and
		Contributions	Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 2,198,813	\$ 125,200	\$ -
Public safety	5,967,421	1,804,651	422,077
Public works	389,645	57,351	63,010
Community and economic development	875,834	189,835	170,514
Recreation and culture	1,400,193	237,059	71,276
Total governmental activities	10,831,906	2,414,096	726,877
Business-type activities - Water and sewer	6,136,765	4,341,199	-
Total primary government	<u>\$ 16,968,671</u>	<u>\$ 6,755,295</u>	<u>\$ 726,877</u>
Component units:			
Economic Development Corporation	\$ -	\$ -	\$ -
Downtown Development Authority	574,586	-	-
Local Development Finance Authority	16,583,195	-	-
Total component units	<u>\$ 17,157,781</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted fees and other			
Unrestricted investment earnings			
Landfill royalties			
Total general revenues			
Change in Net Assets (Deficit)			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

Statement of Activities
Year Ended December 31, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,073,613)	\$ -	\$ (2,073,613)	\$ -
(3,740,693)	-	(3,740,693)	-
(150,406)	-	(150,406)	-
(515,485)	-	(515,485)	-
(1,091,858)	-	(1,091,858)	-
(7,572,055)	-	(7,572,055)	-
-	(64,442)	(64,442)	-
(7,572,055)	(64,442)	(7,636,497)	-
-	-	-	-
-	-	-	(574,586)
-	-	-	(16,583,195)
-	-	-	(17,157,781)
3,049,902	4,566,058	7,615,960	1,514,409
2,551,353	-	2,551,353	-
192,601	-	192,601	-
198,006	255,712	453,718	132,751
2,837,005	-	2,837,005	-
8,828,867	4,821,770	13,650,637	1,647,160
1,256,812	4,757,328	6,014,140	(15,510,621)
20,125,367	45,964,731	66,090,098	(2,220,205)
\$ 21,382,179	\$ 50,722,059	\$ 72,104,238	\$ (17,730,826)

Charter Township of Van Buren

Governmental Funds Balance Sheet December 31, 2003

	Major Special Revenue Funds				Total Governmental Funds
	General	Landfill	Drug Forefeiture - Federal	Other Nonmajor Governmental Funds	
Assets					
Cash and investments (Note 3)	\$ 4,213,310	\$ 8,276,951	\$ 1,896,115	\$ 1,297,787	\$ 15,684,163
Receivables:					
Property taxes	2,908,246	-	-	-	2,908,246
Special assessments	-	-	-	144,854	144,854
Accrued interest and other receivables	205,431	193,422	-	-	398,853
Prepaid expenditures	113,537	-	-	553	114,090
Due from other funds (Note 5)	22,592	-	2,146	133,266	158,004
Due from other governmental units	368,898	-	-	32,514	401,412
Total assets	\$ 7,832,014	\$ 8,470,373	\$ 1,898,261	\$ 1,608,974	\$ 19,809,622
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 187,151	\$ -	\$ 1,797,383	\$ 23,931	\$ 2,008,465
Accrued and other liabilities	308,171	-	-	-	308,171
Due to other funds	25,316	-	-	134,338	159,654
Cash bonds and deposits	195,438	-	-	-	195,438
Deferred revenue (Note 14)	3,242,854	-	-	152,445	3,395,299
Total liabilities	3,958,930	-	1,797,383	310,714	6,067,027
Fund Balances					
Reserved for:					
Law enforcement	-	-	100,878	97,776	198,654
911 service	-	-	-	427,120	427,120
Museum capital projects	-	-	-	21,607	21,607
Prepays	113,537	-	-	553	114,090
Unreserved, reported in:					
General Fund	997,941	-	-	-	997,941
Designated (Note 12)	2,761,606	-	-	-	2,761,606
Special Revenue Funds	-	8,470,373	-	89,591	8,559,964
Designated (Note 12)	-	-	-	661,613	661,613
Total fund balances	3,873,084	8,470,373	100,878	1,298,260	13,742,595
Total liabilities and fund balances	\$ 7,832,014	\$ 8,470,373	\$ 1,898,261	\$ 1,608,974	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	7,438,644
Special assessment and delinquent property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	247,696
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(46,756)</u>
Net assets of governmental activities	\$ 21,382,179

Charter Township of Van Buren

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2003

	Major Special Revenue Funds				Total Governmental Funds
	General	Landfill	Drug Forefeiture - Federal	Other Nonmajor Governmental Funds	
Revenue					
Property taxes	\$ 2,610,551	\$ -	\$ -	\$ -	\$ 2,610,551
Licenses, fees, and permits	1,688,673	-	-	-	1,688,673
State sources	2,551,353	-	-	-	2,551,353
Federal sources	299,649	-	-	170,514	470,163
Charges for services	563,190	-	-	-	563,190
Interest income	71,659	84,599	24,204	17,544	198,006
Special assessments	-	-	-	44,263	44,263
Landfill royalties	-	2,837,005	-	-	2,837,005
Other revenue	870,217	-	34,167	409,489	1,313,873
Total revenue	8,655,292	2,921,604	58,371	641,810	12,277,077
Expenditures					
General government	2,370,765	-	-	-	2,370,765
Public safety	6,114,589	-	59,189	58,981	6,232,759
Public works	163,645	860	-	168,771	333,276
Community and economic development	104,527	-	-	302,438	406,965
Recreation and culture	1,251,640	-	-	77,258	1,328,898
Insurance and other	518,119	-	-	344,848	862,967
Total expenditures	10,523,285	860	59,189	952,296	11,535,630
Excess of Revenue Over (Under)					
Expenditures	(1,867,993)	2,920,744	(818)	(310,486)	741,447
Other Financing Sources (Uses)					
Transfers in	1,950,000	-	-	-	1,950,000
Transfers out	-	(1,950,000)	-	-	(1,950,000)
Total other financing sources (uses)	1,950,000	(1,950,000)	-	-	-
Net Change in Fund Balances	82,007	970,744	(818)	(310,486)	741,447
Fund Balances - Beginning of year	3,791,077	7,499,629	101,696	1,608,746	13,001,148
Fund Balances - End of year	\$ 3,873,084	\$ 8,470,373	\$ 100,878	\$ 1,298,260	\$ 13,742,595

Charter Township of Van Buren

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds	\$ 741,447
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	313,019
Certain revenue reported in the statement of activities in the current year does not provide current financial resources in the governmental funds until future years	192,225
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>10,121</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,256,812</u>

Charter Township of Van Buren

Proprietary Funds Statement of Net Assets December 31, 2003

	Enterprise Fund - Water and Sewer	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 4,077,744	\$ 4,502,292
Receivables:		
Property taxes	4,126,795	3,177,517
Special assessments	3,673	6,136
Customers	934,372	671,089
Accrued interest and other receivables	408,220	174,145
Due from other funds (Note 5)	1,650	-
Due from other governmental units	509,721	156,845
Prepaid expenses	18,495	6,496
Total current assets	10,080,670	8,694,520
Noncurrent assets:		
Long-term assessments receivable	18,936	23,704
Restricted assets	11,800,489	10,192,439
Capital assets not being depreciated (Note 4)	3,455,647	421,657
Capital assets being depreciated - Net (Note 4)	43,022,350	44,338,635
Total noncurrent assets	58,297,422	54,976,435
Total assets	68,378,092	63,670,955
Liabilities		
Current liabilities:		
Accounts payable	806,336	654,385
Accrued and other liabilities	735,650	759,323
Deferred revenue	4,940,073	3,947,147
Current portion of long-term obligations (Note 6)	1,209,407	1,191,305
Total current liabilities	7,691,466	6,552,160
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	9,964,567	11,154,064
Total liabilities	17,656,033	17,706,224
Net Assets		
Invested in capital assets - Net of related debt	35,323,934	33,795,295
Restricted (Note 7)	11,800,489	8,812,067
Unrestricted	3,597,636	3,357,369
Total net assets	\$ 50,722,059	\$ 45,964,731

Charter Township of Van Buren

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Enterprise Fund - Water and Sewer	
	2003	2002
Operating Revenue		
Water sales	\$ 1,264,402	\$ 1,069,431
Sewage disposal revenue	1,240,293	1,157,040
Water and sewer service charge	1,586,117	1,212,191
Customer penalties	40,379	42,821
Other revenue	<u>210,008</u>	<u>301,813</u>
Total operating revenue	4,341,199	3,783,296
Operating Expenses		
Salaries and wages	582,494	566,742
Payroll taxes and fringe benefits	290,512	236,972
Insurance	168,934	153,828
Supplies and materials	26,326	30,706
Engineering fees	17,872	42,539
Professional services	208,309	228,765
Vehicle expense	15,337	14,065
Water purchase	1,452,148	1,280,731
Sewage disposal charges	1,195,242	1,012,083
Maintenance	98,168	94,516
Depreciation and amortization	1,320,059	1,070,665
Administration fee	351,756	340,892
Other expenses	<u>76,099</u>	<u>83,772</u>
Total operating expenses	<u>5,803,256</u>	<u>5,156,276</u>
Operating Loss	(1,462,057)	(1,372,980)
Nonoperating Revenue (Expense)		
Property taxes	4,566,058	4,001,336
Federal sources	352,876	156,845
Interest income	255,712	241,780
Interest expense	<u>(333,509)</u>	<u>(289,574)</u>
Total nonoperating revenue	<u>4,841,137</u>	<u>4,110,387</u>
Income - Before contributions	3,379,080	2,737,407
Capital Contributions	<u>1,378,248</u>	<u>2,106</u>
Change in Net Assets	4,757,328	2,739,513
Net Assets - Beginning of year	<u>45,964,731</u>	<u>43,225,218</u>
Net Assets - End of year	<u>\$ 50,722,059</u>	<u>\$ 45,964,731</u>

Charter Township of Van Buren

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2003

	<u>Enterprise Fund - Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,648,523
Payments to suppliers	(3,458,240)
Payments to employees	(885,954)
Other receipts	<u>196,359</u>
Net cash used in operating activities	(499,312)
Cash Flows from Capital and Related Financing Activities	
Proceeds from property tax levy	4,609,706
Collection of customer special assessments	8,653
Purchase of capital assets	(1,581,807)
Increase in monies held at Wayne County for debt retirement	(108,031)
Principal and interest paid on capital debt	<u>(1,339,151)</u>
Net cash provided by capital and related financing activities	1,589,370
Cash Flows from Investing Activities - Interest received on investments	<u>176,762</u>
Net Increase in Cash and Cash Equivalents	1,266,820
Cash and Cash Equivalents - Beginning of year	<u>13,314,358</u>
Cash and Cash Equivalents - End of year	<u>\$ 14,581,178</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and equivalents	\$ 4,077,744
Restricted assets (Note 7)	<u>10,503,434</u>
Total cash and cash equivalents	<u>\$ 14,581,178</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,462,057)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,320,059
Changes in assets and liabilities:	
Receivables	(482,668)
Prepaid expenses	(11,999)
Due from other funds	(1,650)
Accounts payable	151,951
Accrued and other liabilities	<u>(12,948)</u>
Net cash used in operating activities	<u>\$ (499,312)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2003, the Water and Sewer Fund received \$405,801 of lines donated by developers and \$972,447 of lines donated by the Local Development Finance Authority; in addition, the Township has assets held at Wayne County for the purpose of financing water and sewer lines. During the year ended December 31, 2003, interest income of \$77,527 was earned on these assets and \$93,321 was expended for construction purposes.

Charter Township of Van Buren

Fiduciary Funds Statement of Assets and Liabilities December 31, 2003

	<u>Agency Fund</u>
Assets - Cash and cash equivalents	<u>\$ 2,830,869</u>
Liabilities - Due to other governmental units	<u>\$ 2,830,869</u>

Charter Township of Van Buren

Component Units Statement of Net Assets (Deficit) December 31, 2003

	Economic Development Corporation	DDA	LDFA	Totals
Assets				
Cash and cash equivalents (Note 3)	\$ 13,125	\$ 1,631,815	\$ -	\$ 1,644,940
Property tax receivable	-	1,168,085	199,940	1,368,025
Restricted assets	-	850,000	11,844,864	12,694,864
Depreciable capital assets - Net (Note 4)	-	1,225,790	-	1,225,790
Total assets	13,125	4,875,690	12,044,804	16,933,619
Liabilities				
Accounts payable	-	7,733	50,437	58,170
Accrued liabilities	-	98,490	247,404	345,894
Due to other governmental units	-	2,700	-	2,700
Deferred revenue	-	1,168,085	199,940	1,368,025
Noncurrent liabilities (Note 6):				
Due within one year	-	125,000	395,000	520,000
Due in more than one year	-	4,565,000	27,804,656	32,369,656
Total liabilities	-	5,967,008	28,697,437	34,664,445
Net Assets (Deficit)				
Investment in capital assets	-	1,225,790	-	1,225,790
Restricted for debt service	-	500,000	3,038,296	3,538,296
Restricted for working capital reserve	-	350,000	-	350,000
Unrestricted	13,125	(3,167,108)	(19,690,929)	(22,844,912)
Total net assets (deficit)	<u>\$ 13,125</u>	<u>\$ (1,091,318)</u>	<u>\$ (16,652,633)</u>	<u>\$ (17,730,826)</u>

Charter Township of Van Buren

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Community and economic development	\$ -	\$ -	\$ -	\$ -
Downtown Development Authority:				
Community and economic development	174,326	-	-	-
Interest on long-term debt	400,260	-	-	-
Local Development Finance Authority:				
Community and economic development	16,338,514	-	-	-
Interest on long-term debt	<u>244,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 17,157,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted investment earnings				
Total general revenues				
Change in Net Assets (Deficit)				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

**Component Units
Statement of Activities
Year Ended December 31, 2003**

Net (Expense) Revenue and Changes in Net Assets

Economic Development Corporation	DDA	LDFA	Total
\$ -	\$ -	\$ -	\$ -
-	(174,326)	-	(174,326)
-	(400,260)	-	(400,260)
-	-	(16,338,514)	(16,338,514)
-	-	(244,681)	(244,681)
-	(574,586)	(16,583,195)	(17,157,781)
-	1,514,409	-	1,514,409
<u>97</u>	<u>23,022</u>	<u>109,632</u>	<u>132,751</u>
<u>97</u>	<u>1,537,431</u>	<u>109,632</u>	<u>1,647,160</u>
97	962,845	(16,473,563)	(15,510,621)
<u>13,028</u>	<u>(2,054,163)</u>	<u>(179,070)</u>	<u>(2,220,205)</u>
<u>\$ 13,125</u>	<u>\$ (1,091,318)</u>	<u>\$ (16,652,633)</u>	<u>\$ (17,730,826)</u>

Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Discretely Presented Component Units

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in a specific district, encourage historical preservation, and to promote economic growth within a specific district. The DDA's governing body, which consists of 11 individuals, is selected by the Board of Trustees. In addition, the DDA's budget is subject to approval by the Board of Trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC's governing body, which consists of 10 individuals, is selected by the Board of Trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Local Development Financing Authority (LDFA) was created to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the LDFA by collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the LDFA's district boundaries. The LDFA's governing body, which consists of 11 individuals, is selected by the Board of Trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

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

Landfill Fund - The Landfill Fund accounts for royalty payments received related to the landfill.

Federal Drug Forfeiture Fund - The Federal Drug Forfeiture Fund accounts for monies received from the Federal Drug Enforcement Agency for law enforcement purposes. These monies are to be used to supplement existing law and drug enforcement funds in the law enforcement field.

The Township reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services and a local property tax levy.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund type:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Property taxes to be used for capital costs and debt service are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2002 ad valorem tax is levied and collectible on December 1, 2002 and is recognized as revenue in the year ended December 31, 2003, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

The 2002 taxable valuation of the Township totaled \$757,232,448 (a portion of which is abated and a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of .9245 mills for operating purposes, 2.9397 mills for public safety, and 6.0000 mills for water and sewer. This resulted in \$639,000 for operating, \$2,031,000 for public safety, and \$4,569,000 for water and sewer. These amounts are recognized in the General and Water and Sewer Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets of the Water and Sewer Fund represent amounts on deposit at the county and property tax collections to be used for the capital costs or debt service of the Township's water and sewer lines. The Downtown Development Authority Bonds and the Local Development Finance Authority Bonds require amounts to be set aside for debt service principal and interest and bond reserves. Additionally, the unspent bond proceeds of the Local Development Finance Authority are required to be set aside for construction. These amounts have also been classified as a restricted asset.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Utility system	50 years
Land improvement	15 years
Buildings and improvements	50 years
Equipment and furniture	5-10 years
Vehicles	5 years
French Landing Dam	50 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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

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

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.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative total data for the prior year has been presented only for the Water and Sewer Fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of this fund. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Accounting and Reporting Changes

GASB Statement No. 34 - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Charter Township of Van Buren has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). Certain significant changes in the statement include the following:

- A management's 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
- A change in the fund financial statements to focus on the major funds
- Capital assets at December 31, 2002 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$311,000 to reflect the historical cost of the Township's capital assets at that date.
- The governmental activities column includes other long-term obligations totaling \$56,877 previously reported in the General Long-term Debt Account Group.

Revenue Recognition - The Township changed its method of accounting for state-shared revenue. Beginning in 2003, state-shared revenue collected within 60 days of the end of the current fiscal period is recognized as revenue in the current period. Previously, the Township accrued state-shared revenue collected within 30 days of the end of the current fiscal period. As a result, an additional \$354,853 was recognized as state-shared revenue as of December 31, 2003.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the Township Treasurer 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 December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. Budgets were 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 and Major Special Revenue Fund budgets as adopted by the Township Board is included in the required supplemental information.

This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the Nonmajor Special Revenue Funds budgets as adopted by the Township Board is available at the Clerk's office for inspection.

There were no significant expenditure budget overruns for the year ended December 31, 2003.

Fund Deficits - The deficit in the Lohr Road Fund of \$109,600 will be eliminated in future years as special assessment district collections are received.

The accumulated deficit in the Community Development Block Grant Fund of \$3,742 will be eliminated upon receipt of a reimbursement from the County.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Surplus at January 1, 2003	\$ 608,373
Current year building permit revenue	883,960
Related expenses:	
Direct costs	1,541,244 *
Estimated indirect costs	<u>143,655</u>
Total construction code expenses	<u>1,684,899</u>
Cumulative shortfall at December 31, 2003	<u>\$ (192,566)</u>

* \$439,147 of this amount relates to direct costs not included in previous years.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund. The Township has designated 13 banks for the deposit of Local Unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

The Charter Township of Van Buren's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 15,684,163	\$ 4,077,744	\$ 19,761,907	\$ 2,830,869	\$ 1,644,940
Restricted assets	-	10,503,434	10,503,434	-	12,694,864
Total	<u>\$ 15,684,163</u>	<u>\$ 14,581,178</u>	<u>\$ 30,265,341</u>	<u>\$ 2,830,869</u>	<u>\$ 14,339,804</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 10,966,734	\$ -	\$ 12,824,665
Investments in securities, mutual funds, and similar vehicles	19,297,107	2,830,869	1,515,139
Petty cash or cash on hand	<u>1,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 30,265,341</u>	<u>\$ 2,830,869</u>	<u>\$ 14,339,804</u>

The bank balance of the Township's deposits is \$12,168,010, of which \$400,000 is covered by federal depository insurance. The component units' deposits had a bank balance of \$12,824,665, of which \$213,000 was covered by federal depository insurance.

The Township's investments during the year consisted solely of bank investment pools, interlocal agreement investment pools, and mutual funds. There was \$23,643,115 invested in such funds of the primary government, fiduciary funds, and component units at December 31, 2003. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, these funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets

Capital asset activity of the Township's governmental activities, business-type activities, and component units was as follows:

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Governmental Activities				
Capital assets not being depreciated - Land	\$ 262,300	\$ -	\$ -	\$ 262,300
Capital assets being depreciated:				
Land improvements	339,020	124,425	-	463,445
Buildings and improvements	5,117,489	184,757	-	5,302,246
Equipment and furniture	1,530,893	466,847	-	1,997,740
Vehicles	2,299,203	130,692	-	2,429,895
French Landing Dam	2,809,800	-	-	2,809,800
Subtotal	12,096,405	906,721	-	13,003,126
Accumulated depreciation:				
Land improvements	1,737	25,418	-	27,155
Buildings and improvements	841,077	137,616	-	978,693
Equipment and furniture	952,400	212,815	-	1,165,215
Vehicles	1,808,182	161,657	-	1,969,839
French Landing Dam	1,629,684	56,196	-	1,685,880
Subtotal	5,233,080	593,702	-	5,826,782
Net capital assets being depreciated	6,863,325	313,019	-	7,176,344
Net capital assets	<u>\$ 7,125,625</u>	<u>\$ 313,019</u>	<u>\$ -</u>	<u>\$ 7,438,644</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets (Continued)

	Balance January 1, 2003	Reclassifications*	Additions	Disposals and Adjustments	Balance December 31, 2003
Business-type Activities					
Capital assets not being depreciated - Construction in progress	\$ 421,657	\$ 309,586	\$ 2,724,404	\$ -	\$ 3,455,647
Capital assets being depreciated:					
Buildings	300,000	-	-	-	300,000
Utility system	62,223,238	(290,708)	279,320	(98,700)	62,113,150
Equipment	442,048	-	32,419	-	474,467
Vehicles	249,141	(18,878)	90,884	-	321,147
Subtotal	63,214,427	(309,586)	402,623	(98,700)	63,208,764
Accumulated depreciation:					
Buildings	42,000	-	6,000	-	48,000
Utility system	18,303,481	-	1,270,031	-	19,573,512
Equipment	322,154	-	24,476	-	346,630
Vehicles	208,159	-	10,113	-	218,272
Subtotal	18,875,794	-	1,310,620	-	20,186,414
Net capital assets being depreciated	44,338,633	(309,586)	(907,997)	(98,700)	43,022,350
Net capital assets	\$ 44,760,290	\$ -	\$ 1,816,407	\$ (98,700)	\$ 46,477,997

* The Township reclassified certain water and sewer utility construction projects to construction in progress to reflect the proper stage of construction of the assets as of December 31, 2003.

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Component Unit - DDA				
Capital assets being depreciated - Land improvements	\$ 1,366,697	\$ 17,800	\$ -	\$ 1,384,497
Accumulated depreciation - Land improvements	76,209	82,498	-	158,707
Net component unit capital assets being depreciated	\$ 1,290,488	\$ (64,698)	\$ -	\$ 1,225,790

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 78,376
Public works	56,196
Public safety	338,382
Community and economic development	32,704
Recreation and culture	<u>88,044</u>

Total governmental activities	<u>\$ 593,702</u>
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Business-type activities - Water and Sewer	\$ 1,310,620
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Construction Commitments - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ecorse Road Water Main/Visteon Water and Sewer Construction Project	\$ 386,718	\$ 521,554
Ecorse Road Sanitary Sewer Construction Project	<u>663,593</u>	<u>36,238</u>
Total	<u>\$ 1,050,311</u>	<u>\$ 557,792</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 22,592
Drug Forfeiture - Federal	Nonmajor governmental funds	2,146
Nonmajor governmental funds	Nonmajor governmental funds	109,600
Nonmajor governmental funds	General Fund	23,666
Water and Sewer Fund	General Fund	1,650
Total		<u>\$ 159,654</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund providing resources	Fund receiving resources	Amount
Landfill	General Fund	\$ 1,950,000

The transfer from the Landfill Fund to the General Fund represents royalties received from waste management, of which \$1,585,000 represents the use of unrestricted resources to finance general government operations, in accordance with budgetary authorizations. The remaining funds received by the Landfill Fund from waste management and transferred to the General Fund are for the following purposes: \$200,000 for public health safety and welfare; \$100,000 for parks and recreation beautification and improvements; \$50,000 for environmental protections; and \$15,000 for cultural activities (\$12,000 to cover Fourth of July festivities and \$3,000 for Music in the Park).

Note 6 - Long-term Debt

Van Buren Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and State Revolving Funds are obligations of the Water and Sewer Fund.

The employee-compensated absences represent the estimated liability to be paid to employees under the Township's vacation policy. Under the Township's policy, employees earn vacation time based on time of service with the Township.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Other long-term obligations - Compensated absences			\$ 56,877	\$ -	\$ (10,121)	\$ 46,756	\$ -
Business-type Activities							
Contractual obligations with Wayne County:							
Metropolitan Water Supply System, Series III Bonds Amount of issue - \$875,000 Maturing through 2005	4.00%	\$40,000	\$ 120,000	\$ -	\$ (40,000)	\$ 80,000	\$ 40,000
Metropolitan Sewerage and Sewer Disposal System, Series I Bonds Amount of issue - \$2,750,000 Maturing through 2005	4.125%	\$100,000	300,000	-	(100,000)	200,000	100,000
Metropolitan Sewerage and Sewer Disposal System, Series II Bonds Amount of issue - \$1,675,000 Maturing through 2005	4.00%	\$60,000	180,000	-	(60,000)	120,000	60,000
1994 Water Refunding Bonds Amount of issue - \$445,589 Maturing through 2004	5.60%	\$50,374	99,806	-	(49,432)	50,374	50,374
1994 Sewer Refunding Bonds Amount of issue - \$848,627 Maturing through 2004	5.60%	\$72,708	151,825	-	(79,117)	72,708	72,708
1994 Wastewater Refunding Bonds Amount of issue - \$677,368 Maturing through 2009	6.00%	\$49,032 - \$65,376	393,618	-	(47,216)	346,402	49,032
Downriver Sewage Disposal Bonds, Series A Amount of issue - \$101,600 Maturing through 2003	6.30%	\$4,059	4,059	-	(4,059)	-	-
Metropolitan Water Supply System, Series IV Bonds Amount of issue - \$1,000,000 Maturing through 2006	6.50%	\$60,000	120,000	-	-	120,000	-
Metropolitan Sewerage and Sewer Disposal System, Series III Bonds Amount of issue - \$2,000,000 Maturing through 2006	6.50%	\$80,000	160,000	-	-	160,000	-
Downriver Sewage Disposal Bonds, Series A Amount of issue - \$73,539 Maturing through 2013	4.5% - 5.125%	\$5,661 \$9,454	71,728	-	(623)	71,105	5,661
Downriver Sewage Disposal System Bonds, Partial Completion Bonds Amount of issue - \$283,580 Maturing through 2018	4.5% - 5.125%	\$11,434 - \$22,206	253,530	-	(10,960)	242,570	11,434
State Revolving Fund - Downriver Sewage Disposal System Bonds Amount of issue - \$2,364,903 Maturing through 2021	2.00%	\$102 - \$62,460	1,864,505	-	(102,075)	1,762,430	109,133

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities (Continued)							
Contractual obligations with Canton, Van Buren, and Sumpter Water and Sewer Disposal Authority: 1993 Sewage Disposal and Water Supply System Refunding Bonds Amount of issue - \$3,285,000 Maturing through 2004							
	5.70%	\$275,000	\$ 560,000	\$ -	\$ (285,000)	\$ 275,000	\$ 275,000
South Huron Valley Wastewater Control System: SRF Expansion Bonds Amount of issue - \$26,615,000 Maturing through 2020 Deferred amount on refunding							
	2.25%	\$333,062 - \$476,222	7,143,312 (59,780)	- -	(321,376) 9,440	6,821,936 (50,340)	333,062 -
South Huron Valley Wastewater Control System Bonds - SRF Amount of issue - \$1,803,964 Maturing through 2011							
	2.00%	\$103,003 - \$117,815	982,765	-	(100,887)	881,878	103,003
Compensated absences							
			-	19,911	-	19,911	-
Total business-type activities			<u>\$ 12,345,368</u>	<u>\$ 19,911</u>	<u>\$ (1,191,305)</u>	<u>\$ 11,173,974</u>	<u>\$ 1,209,407</u>
Component Units							
Downtown Development Authority 1995 Revenue Bonds Amount of issue - \$5,000,000 Maturing through 2016							
	8.40%	\$125,000 - \$700,000	\$ 4,790,000	\$ -	\$ (100,000)	\$ 4,690,000	\$ 125,000
Local Development Financing Authority Tax Increment Bonds - Series 2003 Amount of issue - \$28,199,656 Maturing through 2032							
	2.25% 5.25%	\$395,000 - \$6,245,000	-	28,199,656	-	28,199,656	395,000
Total component unit activities			<u>\$ 4,790,000</u>	<u>\$ 28,199,656</u>	<u>\$ (100,000)</u>	<u>\$ 32,889,656</u>	<u>\$ 520,000</u>

The Township has committed its full faith and credit for all debt outstanding for the Local Development Finance Authority.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 6 - Long-term Debt (Continued)

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

	Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 1,209,407	\$ 285,765	\$ 1,495,172	\$ 520,000	\$ 1,379,134	\$ 1,899,134
2005	963,665	245,774	1,209,439	805,000	1,356,878	2,161,878
2006	784,487	213,533	998,020	830,000	1,329,289	2,159,289
2007	661,481	192,254	853,735	865,000	1,298,367	2,163,367
2008	676,875	174,997	851,872	920,000	1,262,970	2,182,970
2009-2013	3,107,006	636,251	3,743,257	3,695,000	5,719,084	9,414,084
2014-2018	2,833,408	301,600	3,135,008	6,970,000	4,187,785	11,157,785
2019-2023	937,645	29,630	967,275	9,710,859	2,624,047	12,334,906
2024-2028	-	-	-	5,764,226	7,824,596	13,588,822
2028-2033	-	-	-	2,809,571	9,045,429	11,855,000
Total	<u>\$ 11,173,974</u>	<u>\$ 2,079,804</u>	<u>\$ 13,253,778</u>	<u>\$ 32,889,656</u>	<u>\$ 36,027,579</u>	<u>\$ 68,917,235</u>

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2003, \$300,000 of bonds outstanding were considered defeased.

Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities	Component Units		Total Component Units
		DDA	LDFA	
Cash and equivalents:				
Property tax collections	\$ 10,503,434	\$ -	\$ -	\$ -
Bond reserve	-	500,000	3,038,296	3,538,296
Working capital reserve	-	350,000	-	350,000
Unspent bond proceeds	-	-	8,806,568	8,806,568
Net assets held by Wayne County	<u>1,297,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted assets	<u>\$ 11,800,489</u>	<u>\$ 850,000</u>	<u>\$ 11,844,864</u>	<u>\$ 12,694,864</u>

Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 7 - Restricted Assets (Continued)

Enterprise Fund - Net assets totaling \$1,297,055 are restricted for water line and sewer system construction, replacement and improvement, and debt service. These restricted assets result from the issuance of debt or the receipt of contributed capital and, therefore, it is not necessary to restrict net assets. The remaining balance of \$10,503,434 is from property tax collections and is restricted for debt service payments. Net assets have been restricted for this amount.

Restricted assets in the Downtown Development Authority are restricted for the purpose of the 1995 revenue bond debt reserve requirements. Net assets have been restricted for \$850,000. Restricted assets in the Local Development Finance Authority are restricted for the 2003 revenue bond debt reserve requirements and unspent bond proceeds. Net assets have been restricted for \$3,038,296.

Note 8 - Risk Management

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

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 8 - Risk Management (Continued)

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and the Water and Sewer Fund. Changes in the estimated liability for the years ended December 31, 2003 and 2002 were as follows:

Estimated liability - January 1, 2002	\$ -
Claims incurred - Including changes in estimates	60,520
Claim payments	<u>(60,520)</u>
Estimated liability - December 31, 2002	-
Claims incurred - Including changes in estimates	53,394
Claim payments	<u>(53,394)</u>
Estimated liability - December 31, 2003	<u>\$ -</u>

Note 9 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate as of the first day of the next month after employment. As established by union or employee contractual agreements with general government employees, the Township contributes 11 percent to 12 percent of employees' base earnings and employees contribute a minimum of 5 percent of earnings, with the option of contributing up to 15 percent. In accordance with these requirements, the Township contributed approximately \$537,000 during the current year, and employees contributed approximately \$264,000.

Note 10 - Contingent Liabilities

The Township has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$283,000,000, with the Township's share estimated to be approximately \$2,580,000.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 11 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees meeting age and years of service requirements, upon retirement, in accordance with labor contracts. Currently, 13 retirees are eligible. The Township includes pre-Medicare retirees and their spouses (with a co-pay) in its insured health care plan. The Township purchases supplemental insurance for eligible retirees.

Expenditures for postemployment health care benefits are recognized in the General and Water and Sewer Funds as the insurance premiums become due; during the year, this amounted to approximately \$71,000 and \$9,500, respectively.

Note 12 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Capital Projects Fund
Senior center bequest fund	\$ 29,243	\$ -
Estimated future insurance claims	250,000	-
French Landing Dam improvements	102,500	-
Network computer system purchase	20,000	-
Compensated absences	46,756	-
Sidewalk maintenance	25,000	-
Land and municipal facilities purchase	800,000	-
Estimated tax commission adjustment	240,000	-
Capital improvement	-	661,613
Fire equipment replacement	493,207	-
Designated for subsequent year's budgeted expenditures in excess of budgeted revenue	<u>754,900</u>	<u>-</u>
Total	<u>\$ 2,761,606</u>	<u>\$ 661,613</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 13 - Joint Ventures

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$451,230 toward the operation of the system. In addition, debt payments of \$599,749, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Water and Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Water and Sewer Fund. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$128,036 for operations of the system and \$108,031 for debt service. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 10.

Note 14 - Deferred Revenue

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

	Unavailable	Unearned	Total
Delinquent property taxes	\$ 102,842	\$ -	\$ 102,842
Property taxes levied for 2004	-	3,140,012	3,140,012
Special assessments	144,854	-	144,854
Grants not meeting all eligibility requirements	-	7,591	7,591
Total	<u>\$ 247,696</u>	<u>\$ 3,147,603</u>	<u>\$ 3,395,299</u>

Required Supplemental Information

Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,689,010	\$ 2,610,331	\$ 2,610,551	\$ 220
Licenses, fees, and permits	1,339,500	1,548,586	1,688,673	140,087
State sources	2,490,539	2,198,316	2,551,353	353,037
Federal sources	150,000	313,304	299,649	(13,655)
Charges for services	457,056	579,773	563,190	(16,583)
Interest income	130,000	85,000	71,659	(13,341)
Other revenue	987,956	999,809	870,217	(129,592)
Total revenue	<u>\$ 8,244,061</u>	<u>\$ 8,335,119</u>	<u>\$ 8,655,292</u>	<u>\$ 320,173</u>
Other Financing Sources - Operating				
transfer in	<u>\$ 1,950,000</u>	<u>\$ 1,950,000</u>	<u>\$ 1,950,000</u>	<u>\$ -</u>
Expenditures				
General government:				
Township Board	\$ 166,384	\$ 163,019	\$ 210,085	\$ (47,066)
Supervisor	196,600	194,655	194,629	26
Elections	70,050	78,400	71,387	7,013
Assessor	235,574	197,091	191,351	5,740
Clerk	320,911	319,461	318,268	1,193
General office	223,000	264,200	255,521	8,679
Treasurer	286,130	272,153	263,113	9,040
Buildings and grounds	570,825	570,945	591,551	(20,606)
Accounting	55,000	65,000	65,420	(420)
Attorney fees	225,000	215,000	196,229	18,771
Cemetery	7,800	13,334	13,211	123
Total general government	2,357,274	2,353,258	2,370,765	(17,507)
Public safety:				
Police	3,850,630	3,762,701	3,717,644	45,057
Fire	603,863	805,186	727,347	77,839
Dispatch operation and maintenance	401,395	400,895	480,553	(79,658)
Emergency management	11,179	7,829	7,611	218
Animal control	80,600	79,450	79,335	115
Building	501,826	667,941	661,898	6,043
Planning	489,443	431,143	440,201	(9,058)
Total public safety	5,938,936	6,155,145	6,114,589	40,556

Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Community and economic development:				
Cable television	\$ 171,000	\$ 165,850	\$ -	\$ 165,850
Environmental management	<u>158,658</u>	<u>129,388</u>	<u>104,527</u>	<u>24,861</u>
Total community and economic development	329,658	295,238	104,527	190,711
Recreation and culture:				
Senior citizens	191,078	186,868	195,964	(9,096)
Community services	143,000	155,880	157,977	(2,097)
Parks and lakes	440,000	290,487	267,268	23,219
Recreation	374,097	352,303	329,288	23,015
Library	<u>305,196</u>	<u>312,312</u>	<u>301,143</u>	<u>11,169</u>
Total recreation and culture	1,453,371	1,297,850	1,251,640	46,210
Public works - Contracted services	99,000	143,500	163,645	(20,145)
Other - Insurance and other	<u>561,500</u>	<u>536,362</u>	<u>518,119</u>	<u>18,243</u>
Total expenditures	<u>\$ 10,739,739</u>	<u>\$ 10,781,353</u>	<u>\$ 10,523,285</u>	<u>\$ 258,068</u>

Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2003

	Landfill			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Interest	\$ 125,000	\$ 125,000	\$ 84,599	\$ (40,401)
Landfill royalties	<u>2,548,200</u>	<u>2,548,200</u>	<u>2,837,005</u>	<u>288,805</u>
Total revenues	2,673,200	2,673,200	2,921,604	248,404
Expenditures - Public works	<u>1,500</u>	<u>1,500</u>	<u>860</u>	<u>640</u>
Excess of Revenues Over Expenditures	2,671,700	2,671,700	2,920,744	249,044
Other Financing Uses - Operating transfers out	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,950,000</u>	<u>-</u>
Excess of Revenues Over Expenditures and Other Financing Uses	721,700	721,700	970,744	249,044
Fund Balance - Beginning of year	<u>7,302,237</u>	<u>7,499,629</u>	<u>7,499,629</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 8,023,937</u>	<u>\$ 8,221,329</u>	<u>\$ 8,470,373</u>	<u>\$ 249,044</u>

Charter Township of Van Buren

Required Supplemental Information (Continued) Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2003

	Drug Forfeiture - Federal			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Interest	\$ 1,200	\$ 1,200	\$ 24,204	\$ 23,004
Forfeitures and seizures	75,000	75,000	34,167	(40,833)
Total revenues	76,200	76,200	58,371	(17,829)
Expenditures - Public safety	25,020	45,020	59,189	(14,169)
Excess of Revenues Over (Under) Expenditures	51,180	31,180	(818)	(31,998)
Fund Balance - Beginning of year	84,450	101,696	101,696	-
Fund Balance - End of year	<u>\$ 135,630</u>	<u>\$ 132,876</u>	<u>\$ 100,878</u>	<u>\$ (31,998)</u>

Other Supplemental Information

Charter Township of Van Buren

	Special Revenue Funds			
	French Landing			Drug Forefeiture - State
	Community Development Block Grant	Dam Improvement Project	Capital Improvement	
Assets				
Cash and investments	\$ -	\$ 33	\$ 661,613	\$ 99,965
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	32,514	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 32,514</u>	<u>\$ 33</u>	<u>\$ 661,613</u>	<u>\$ 99,965</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 6,073	\$ -	\$ -	\$ 43
Due to other funds	22,592	-	-	2,146
Deferred revenue	7,591	-	-	-
Total liabilities	36,256	-	-	2,189
Fund Balances (Deficit)				
Reserved	-	-	-	97,776
Unreserved - Designated	-	-	661,613	-
Unreserved - Undesignated	(3,742)	33	-	-
Total fund balances (deficit)	<u>(3,742)</u>	<u>33</u>	<u>661,613</u>	<u>97,776</u>
Total liabilities and fund balances (deficit)	<u>\$ 32,514</u>	<u>\$ 33</u>	<u>\$ 661,613</u>	<u>\$ 99,965</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

Special Revenue Funds							Total Nonmajor Governmental Funds
911 Service	Museum	Cable	Bemis Road Project	Hannan Road Project	Lohr Road Project		
\$ 443,915	\$ 22,074	\$ -	\$ 69,045	\$ 1,142	\$ -	\$ 1,297,787	
-	-	-	29,446	-	115,408	144,854	
-	-	23,666	109,600	-	-	133,266	
-	-	-	-	-	-	32,514	
-	553	-	-	-	-	553	
<u>\$ 443,915</u>	<u>\$ 22,627</u>	<u>\$ 23,666</u>	<u>\$ 208,091</u>	<u>\$ 1,142</u>	<u>\$ 115,408</u>	<u>\$ 1,608,974</u>	
\$ 16,795	\$ 1,020	\$ -	\$ -	\$ -	\$ -	\$ 23,931	
-	-	-	-	-	109,600	134,338	
-	-	-	29,446	-	115,408	152,445	
16,795	1,020	-	29,446	-	225,008	310,714	
427,120	21,607	-	-	-	-	546,503	
-	-	-	-	-	-	661,613	
-	-	23,666	178,645	1,142	(109,600)	90,144	
<u>427,120</u>	<u>21,607</u>	<u>23,666</u>	<u>178,645</u>	<u>1,142</u>	<u>(109,600)</u>	<u>1,298,260</u>	
<u>\$ 443,915</u>	<u>\$ 22,627</u>	<u>\$ 23,666</u>	<u>\$ 208,091</u>	<u>\$ 1,142</u>	<u>\$ 115,408</u>	<u>\$ 1,608,974</u>	

Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	French Landing Dam Improvement Project	Capital Improvement	Drug Forefeiture - State
Revenue				
Federal sources	\$ 170,514	\$ -	\$ -	\$ -
Special assessments	-	13	-	-
Interest	-	-	10,923	976
911 revenue	-	-	-	-
Museum contributions and other	-	-	-	-
Forfeitures and seizures	-	-	-	10,530
Total revenue	170,514	13	10,923	11,506
Expenditures				
Public safety	-	-	-	4,754
Public works	-	-	-	-
Community and Economic Development	133,503	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	344,848	-
Total expenditures	133,503	-	344,848	4,754
Excess of Revenue Over (Under)				
Expenditures	37,011	13	(333,925)	6,752
Fund Balances (Deficit) - Beginning of year	(40,753)	20	995,538	91,024
Fund Balances (Deficit) - End of year	\$ (3,742)	\$ 33	\$ 661,613	\$ 97,776

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended December 31, 2003

Special Revenue Funds						Total Nonmajor Governmental Funds
911 Service	Museum	Cable	Bemis Road Project	Hannan Road Project	Lohr Road Project	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,514
-	-	-	29,482	-	14,768	44,263
4,389	244	-	934	78	-	17,544
77,731	-	-	-	-	-	77,731
-	71,276	192,601	57,351	-	-	321,228
-	-	-	-	-	-	10,530
82,120	71,520	192,601	87,767	78	14,768	641,810
54,227	-	-	-	-	-	58,981
-	-	-	27,395	17,008	124,368	168,771
-	-	168,935	-	-	-	302,438
-	77,258	-	-	-	-	77,258
-	-	-	-	-	-	344,848
<u>54,227</u>	<u>77,258</u>	<u>168,935</u>	<u>27,395</u>	<u>17,008</u>	<u>124,368</u>	<u>952,296</u>
27,893	(5,738)	23,666	60,372	(16,930)	(109,600)	(310,486)
<u>399,227</u>	<u>27,345</u>	<u>-</u>	<u>118,273</u>	<u>18,072</u>	<u>-</u>	<u>1,608,746</u>
<u>\$ 427,120</u>	<u>\$ 21,607</u>	<u>\$ 23,666</u>	<u>\$ 178,645</u>	<u>\$ 1,142</u>	<u>\$ (109,600)</u>	<u>\$ 1,298,260</u>

April 15, 2004

Board of Trustees
Charter Township of Van Buren
Wayne County, MI

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Van Buren for the year ended December 31, 2003. As a result, we offer the following comments and recommendations for your consideration:

Governmental Accounting Standards Board Statement 34

As previously communicated to you, Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a very different look to the financial statements. Preparing for this new reporting model has required a significant amount of effort by the Township's Accounting Department.

Although there are many differences with this new reporting model, the major additions are as follows:

- **Management Discussion and Analysis:** Management is now required to give an overview of the Township's overall financial position and results of operations.
- **Government-wide Financial Statements:** These additional statements adjust the **fund-based** statements into a combined, **Township wide full-accrual** format. This allows a financial statement reader to see the Township from a long-term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets, as well as long-term debt, as part of the Township's financial picture.
- **Budget Comparison:** A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township compared to the final amended budget, but also as compared to the original budget for the General Fund and Major Special Revenue Funds.

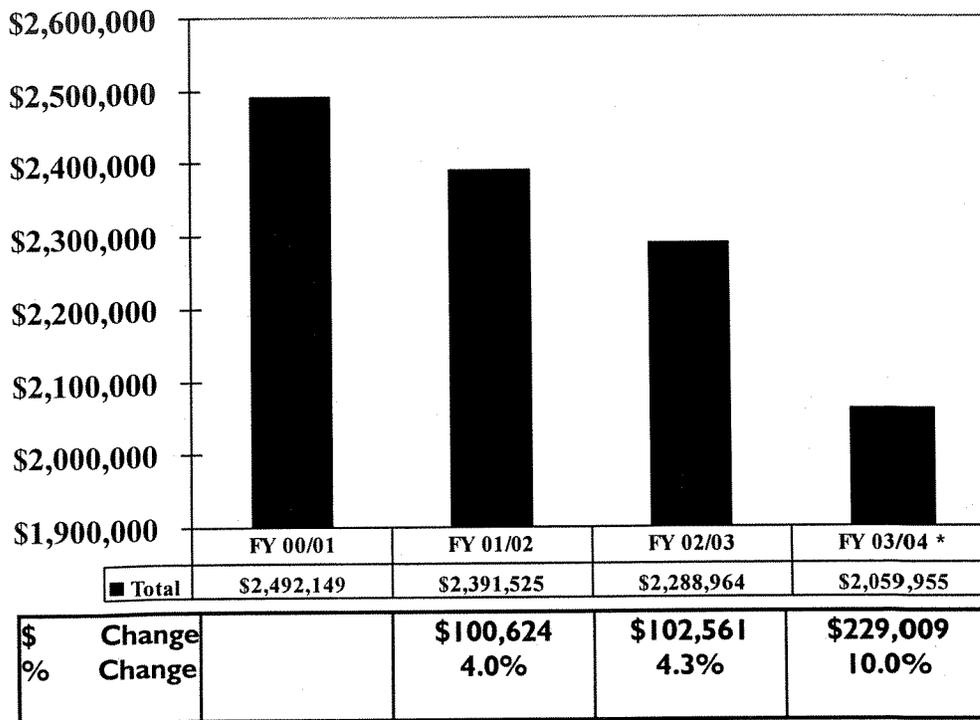
Revenue Sharing

As you are aware, revenue sharing payments for the State's fiscal year ended September 30, 2003 were reduced by 3.5 percent through a December 2002 Executive Order. The budget for the State's fiscal year ended September 30, 2004 includes an *additional* 3 percent reduction in revenue sharing payments from the estimated payments for the State's 2003 fiscal year. These cuts are compounded by reductions that result when sales tax collections are less than what is included in the State's projections. In December 2003, the Governor issued an executive order reducing revenue sharing for the State's fiscal year ended September 30, 2004 an additional 5 percent.

In February 2004, the Governor introduced her budget for the State's fiscal year ended September 30, 2005. For cities, villages and townships, the Governor's budget proposal is to keep revenue sharing levels for the September 30, 2005 fiscal year end at the September 30, 2004 fiscal year end levels. However, the proposal eliminates statutory revenue sharing for counties. There is considerable discussion in Lansing about further reductions to state shared revenue from the Governor's budget proposal for fiscal year ended September 30, 2005.

We have attached a chart to provide you with more detail on what has occurred with revenue sharing relative to Van Buren Township. The chart demonstrates the impact that these cuts in revenue sharing by the State have had on Van Buren Township. For the Township, revenue sharing funding levels are \$432,000 less for the 2004 fiscal year as compared to fiscal year 2001.

Total State Shared Revenue – Van Buren Township



*Projected (Data Source for all State Fiscal Years Michigan Department of Treasury.)

New Homestead Audit Program

Public Act 105 of 2003 provides new authority for local units of government and the Michigan Department of Treasury to share homestead information to determine if a resident is illegally claiming a homestead exemption on property. As you recall, following the passage of Proposal A in 1994, individuals in Michigan are allowed only one homestead for property tax purposes. A residence which is not an individual's homestead pays property tax at the non-homestead rate. The Michigan Department of Treasury will publish additional guidance related to this new law.

Personal Property Tax

As discussed in previous years, for personal property tax bills issued in the year 2000 and after, the revised personal property tax tables implemented by the State Tax Commission were in effect. In addition to revisions made to the general personal property tax tables, the State Tax Commission also approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that use of the new utility tables result in approximately a 30% revenue loss on those properties. Many communities, including the Township of Van Buren, have elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. The new utility personal property tax tables implemented by the State Tax Commission were upheld in the lawsuit. The local units of government have appealed this decision. The State is currently in the process of determining how refunds will be made on appeals filed by the utilities pending the decision in the Court of Appeal case (in other words, if refunds are to be held in abeyance). We encourage the Township to continue to monitor these developments since the Township could be negatively impacted by the outcome. The Township has estimated the potential refunds due to the utilities, and have designated a portion of General Fund fund balance for payments should this outcome be unfavorable and payment becomes due.

Municipal Finance Act - Reminder

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities and authorities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (June 30, 2004) and is good through the extended due date of the financial statement filings (June 30, 2005).

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%
2003	1.5
2002	3.2
2001	3.2
2000	1.9
1999	1.6
1998	2.7
1997	2.8
1996	2.8
1995	2.6

Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

Funding of Post-Employment Benefit Obligations

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the Township having an actuarial valuation to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30-year period. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes are expected to be effective 2008.

Downriver Sewer System

As mentioned in previous years, the Township, along with several other communities in the Downriver Sewer System, is currently upgrading the system as a result of litigation brought by the U.S. Environmental Protection Agency. This upgrading is being administered by Wayne County, which includes the issuance of debt on behalf of the communities, construction and cash management. During our audit, the County was unable to confirm to us how much of the debt proceeds were attributed to the Township's portion of the construction costs. The Township should follow up with County personnel to determine where the proceeds of the Township's debt issuance have been credited.

Water and Sewer Billings

During the year, the Township had instances in which the water and sewer utility customer billings were mailed out anywhere from two weeks to several months later than normal. The Director of Water and Sewer Operations has indicated this was due to the implementation of the new accounting and billing system. As a result, the utility billing receivable as of December 31, 2003 is notably higher than in past years.

Accounting Issues

We noted the following areas that may need some attention during 2004:

Customer Deposits

Approximately \$103,000 of customer deposits in the General Fund customer deposits account relates to payments received by the Township in fiscal year 2002 or prior. The Township should review this list to determine if any of these deposits should be refunded or forfeited.

Accounts Receivable

Approximately \$80,000 of receivable balances in the Water and Sewer accounts receivable account relate to receivables recorded by the Township in fiscal year 2002 or prior. The Township should review this list to determine if any of these receivables are uncollectible and should be written off.

Credit Card Policy

During the year ended December 31, 2003, the Township was using credit cards although a "use of credit card" resolution had not been passed by the Township Board. The Township, however, did have procedures in place regarding the use of such cards. For 2004, the Township has adopted a resolution regarding the use of credit cards.

Water and Sewer Receivable Reconciliation

The utility billing receivable balance in the general ledger for the months of May 2003 – December 2003 was reconciled to the detailed subsidiary ledger in March 2004. The Township should reconcile the general ledger balance to the subsidiary ledger monthly or, at a minimum, on a quarterly basis.

We would like to thank the Board of Trustees, Supervisor, Clerk, Treasurer, and other departmental staff for the courtesy and cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Denise A. Buckley