

Township of Richmond Macomb County, Michigan

**Financial Report
with Additional Information
June 30, 2003**

Township of Richmond Macomb County, Michigan

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Independent Auditor's Report

To the Board of Trustees
Township of Richmond
Macomb County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Richmond, Macomb County, Michigan as of June 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Richmond, Macomb County, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Richmond, Macomb County, Michigan as of June 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 4, 2003

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Township of Richmond Macomb County, Michigan

Combined Balance Sheet All Fund Types and Account Groups June 30, 2003

	Governmental Fund Types		Fiduciary	Account Groups		Totals (Memorandum Only)	
	Special		Fund Type	General	General	June 30	
	General	Revenue - Liquor Law Enforcement	Agency	Fixed Assets	Long-term Debt	2003	2002
Assets							
Cash and investments (Note 2)	\$ 438,079	\$ 640	\$ 88,879	\$ -	\$ -	\$ 527,598	\$ 484,491
Due from other governmental units	35,735	-	-	-	-	35,735	36,252
Due from Tax Collection Fund	12,582	-	-	-	-	12,582	14,541
Prepaid expenses	8,412	-	-	-	-	8,412	-
Restricted assets (Notes 2 and 3)	55,189	-	-	-	-	55,189	38,217
Capital assets (Note 4)	-	-	-	1,904,092	-	1,904,092	1,861,523
Amount to be provided for retirement of long-term debt	-	-	-	-	401,226	401,226	438,094
Total assets	\$ 549,997	\$ 640	\$ 88,879	\$ 1,904,092	\$ 401,226	\$ 2,944,834	\$ 2,873,118
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 35,043	\$ -	\$ -	\$ -	\$ -	\$ 35,043	\$ 36,694
Accrued and other liabilities	-	-	-	-	-	-	1,655
Due to General Fund	-	-	12,582	-	-	12,582	14,541
Deferred revenue	5,582	-	-	-	-	5,582	6,707
Cash bonds and deposits	-	-	76,297	-	-	76,297	76,949
Long-term obligations payable (Note 7)	-	-	-	-	401,226	401,226	438,094
Total liabilities	40,625	-	88,879	-	401,226	530,730	574,640
Fund Equity							
Investment in general fixed assets	-	-	-	1,904,092	-	1,904,092	1,861,523
Fund balances:							
Reserved for fire protection	55,189	-	-	-	-	55,189	38,217
Reserved for prepaid expenses	8,412	-	-	-	-	8,412	-
Unreserved and undesignated	445,771	640	-	-	-	446,411	398,738
Total fund equity	509,372	640	-	1,904,092	-	2,414,104	2,298,478
Total liabilities and fund equity	\$ 549,997	\$ 640	\$ 88,879	\$ 1,904,092	\$ 401,226	\$ 2,944,834	\$ 2,873,118

Township of Richmond Macomb County, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types Year Ended June 30, 2003

	General Fund	Special Revenue Fund - Liquor Law Enforcement	Totals (Memorandum Only)	
			Year Ended June 30	
			2003	2002
Revenue				
Property taxes	\$ 154,971	\$ -	\$ 154,971	\$ 134,248
Licenses and permits	58,424	-	58,424	61,738
Federal sources	27,873	-	27,873	79,215
State sources	247,086	618	247,704	263,044
Interest	5,928	-	5,928	9,117
Garbage collection	135,931	-	135,931	118,026
Other	95,253	-	95,253	53,851
Total revenue	725,466	618	726,084	719,239
Expenditures				
General government	377,140	-	377,140	373,508
Public safety	154,543	468	155,011	131,404
Highways and streets	44,010	-	44,010	32,218
Recreation and cultural	13,873	-	13,873	10,660
Community development	-	-	-	79,215
Capital outlay	14,371	-	14,371	27,364
Debt service - Note redemption and interest	48,622	-	48,622	48,623
Total expenditures	652,559	468	653,027	702,992
Excess of Revenue Over Expenditures	72,907	150	73,057	16,247
Fund Balances - Beginning of year	436,465	490	436,955	420,708
Fund Balances - End of year	\$ 509,372	\$ 640	\$ 510,012	\$ 436,955

Township of Richmond Macomb County, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual All Governmental Fund Types Year Ended June 30, 2003

	General Fund			Special Revenue Fund - Liquor Law Enforcement		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenue						
Property taxes	\$ 152,688	\$ 154,971	\$ 2,283	\$ -	\$ -	\$ -
Licenses and permits	58,506	58,424	(82)	-	-	-
Federal sources	13,000	27,873	14,873	-	-	-
State sources	297,600	247,086	(50,514)	-	618	618
Interest	-	5,928	5,928	-	-	-
Garbage collection	106,275	135,931	29,656	-	-	-
Other	54,483	95,253	40,770	-	-	-
Total revenue	682,552	725,466	42,914	-	618	618
Expenditures						
General government	385,794	377,140	8,654	-	-	-
Public safety	129,613	154,543	(24,930)	-	468	(468)
Highways and streets	44,010	44,010	-	-	-	-
Recreation and cultural	14,200	13,873	327	-	-	-
Capital outlay	13,550	14,371	(821)	-	-	-
Debt service - Note redemption and interest	50,000	48,622	1,378	-	-	-
Total expenditures	637,167	652,559	(15,392)	-	468	(468)
Excess of Revenue Over Expenditures	45,385	72,907	27,522	-	150	150
Fund Balances - July 1, 2002	436,465	436,465	-	490	490	-
Fund Balances - June 30, 2003	\$ 481,850	\$ 509,372	\$ 27,522	\$ 490	\$ 640	\$ 150

Township of Richmond Macomb County, Michigan

**Notes to Financial Statements
June 30, 2003**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Richmond, Macomb County, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Township is governed by an elected five-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Richmond, Macomb County, Michigan. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Fiduciary Funds

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

Township of Richmond Macomb County, Michigan

**Notes to Financial Statements
June 30, 2003**

Note I - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

All governmental funds and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

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

Properties are assessed as of December 31 and become a lien on December 1 of the following year. The related property taxes are billed on July 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Noncurrent receivables, such as special assessments, are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by recording of prepaid expenses. Prepaid expenses reported in the General Fund represent advance payment for future year expenditures.

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

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

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

Township of Richmond Macomb County, Michigan

Notes to Financial Statements June 30, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Upcoming Reporting Change - For the year beginning July 1, 2003, the Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant funds, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

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

Note 2 - Deposits and Investments

The Township's deposits and investments are included on the balance sheet under the following classifications:

Cash and investments	\$ 527,598
Restricted assets	<u>55,189</u>
Total	<u>\$ 582,787</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 439,240
Investments in securities, mutual funds, and similar vehicles	<u>143,547</u>
Total	<u>\$ 582,787</u>

Township of Richmond Macomb County, Michigan

**Notes to Financial Statements
June 30, 2003**

Note 2 - Deposits and Investments (Continued)

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$453,013. Of that amount, approximately \$115,000 was covered by federal depository insurance, and approximately \$338,000 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and bank investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, 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's investments during the year consisted of the following:

Bank investment pools	\$ 79,728
MBIA Michigan CLASS	<u>63,819</u>
Total investments	<u>\$ 143,547</u>

The investments under the interlocal agreement (MBIA-CLASS) are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools and MBIA Michigan CLASS 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 and contracts comply with the investment authority noted above.

Township of Richmond Macomb County, Michigan

Notes to Financial Statements June 30, 2003

Note 3 - Restricted Assets

Restricted assets at June 30, 2003 consist of cash and cash equivalents of \$55,189 restricted for fire protection services.

Note 4 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 494,090	\$ -	\$ -	\$ 494,090
Land improvements	109,135	-	-	109,135
Town Hall	876,933	-	-	876,933
Building - Pole barn	3,231	-	-	3,231
Equipment	104,652	17,785	-	122,437
Investment in joint venture (Note 6)	<u>273,482</u>	<u>24,784</u>	<u>-</u>	<u>298,266</u>
Total	<u>\$ 1,861,523</u>	<u>\$ 42,569</u>	<u>\$ -</u>	<u>\$ 1,904,092</u>

Note 5 - Budget Information

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with auditing standards generally accepted in the United States of America.

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

A comparison of the actual results of operations to the Special Revenue Fund budget as adopted by the Township Board is included on the combined statement of revenue, expenditures, and changes in fund balances - budget and actual - all governmental fund types. This comparison includes expenditure budget overruns.

Township of Richmond Macomb County, Michigan

Notes to Financial Statements June 30, 2003

Note 6 - Joint Venture

The Township is a member of the Richmond-Lenox E.M.S. Ambulance Authority (the "Authority"). The Authority is organized under the Ambulance Authority Act of the State of Michigan with each township having a 50 percent interest. The Authority was established to provide the citizens of the two townships, as well as surrounding communities, with an emergency medical service through contractual agreements. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. The Township's equity interest in the joint venture at June 30, 2003, the latest available financial report, is \$298,266. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Township office at 75701 Memphis Ridge, Richmond, MI 48062.

Note 7 - Long-term Debt

Changes in Long-term Debt

The following is a summary of long-term obligations for the Township for the year ended June 30, 2003:

Balance - July 1, 2002	\$ 438,094
Debt retired	<u>(36,868)</u>
Balance - June 30, 2003	<u>\$ 401,226</u>

Outstanding Debt

The debt at June 30, 2003 is comprised of an installment purchase contract with a 2.50 percent interest rate maturing in 2013, with an outstanding balance of \$387,158 at June 30, 2003, and a vehicle loan payable with a 0 percent interest rate maturing in 2004, with an outstanding balance of \$14,068 at June 30, 2003.

Township of Richmond Macomb County, Michigan

Notes to Financial Statements June 30, 2003

Note 7 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service the notes outstanding to maturity, including both principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 38,297	\$ 20,255	\$ 58,552
2005	34,037	18,723	52,760
2006	31,513	17,109	48,622
2007	33,214	15,408	48,622
2008	35,007	13,615	48,622
2009-2014	<u>229,158</u>	<u>38,207</u>	<u>267,365</u>
Total	<u>\$ 401,226</u>	<u>\$ 123,317</u>	<u>\$ 524,543</u>

Interest

Total interest incurred for the Township for the year approximated \$22,000.

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). The Township has purchased commercial insurance for all the above claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - State Construction Code Act

The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. Activity for the year ended June 30, 2003 was as follows:

Township of Richmond Macomb County, Michigan

Notes to Financial Statements June 30, 2003

Note 9 - State Construction Code Act (Continued)

Accumulated expenditures over revenue - July 1, 2002		\$ (365)
2002-2003 building department activity:		
Current year revenue	\$ 63,201	
Current year expenditures	<u>(68,374)</u>	
Excess of expenditures over revenue		<u>(5,173)</u>
Accumulated expenditures over revenue - June 30, 2003		<u>\$ (5,538)</u>

Note 10 - Commitments and Contingencies

There is a pending lawsuit against the Township at June 30, 2003. However, it is the opinion of management that the ultimate liability of this lawsuit, if any, would be immaterial to the financial statements.

Additional Information



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To the Board of Trustees
Township of Richmond
Macomb County, Michigan

We have audited the general purpose financial statements of the Township of Richmond, Macomb County, Michigan for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Township of Richmond, Macomb County, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

December 4, 2003

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Township of Richmond Macomb County, Michigan

General Fund Schedule of Expenditures - Budget and Actual Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Administration:			
Clerical salaries	\$ 45,550	\$ 37,586	\$ 7,964
Payroll taxes	12,000	27,097	(15,097)
Postage and supplies	16,000	17,896	(1,896)
Attorney	22,000	11,014	10,986
Audit and accounting	8,130	8,130	-
Other professional services	22,500	25,463	(2,963)
Telephone	3,910	3,186	724
Printing and publishing	9,000	4,586	4,414
Insurance	11,885	11,915	(30)
Utilities	8,505	11,496	(2,991)
Street lights	3,759	643	3,116
Miscellaneous	6,260	7,743	(1,483)
Dues and conferences	5,700	5,865	(165)
Employee benefits	8,568	8,568	-
Total administration	183,767	181,188	2,579
Assessor	16,250	16,250	-
Trustees	5,725	4,006	1,719
Zoning enforcement officer	6,100	6,070	30
Equipment and building maintenance	15,000	10,698	4,302
Board of Appeals	800	312	488
Planning Commission	3,200	2,932	268
Board of Review	1,432	1,330	102
Cemetery	600	180	420
Supervisor	8,000	15,742	(7,742)
Deputy supervisor	500	-	500
Clerk	17,500	13,921	3,579
Deputy clerk	120	-	120

Township of Richmond Macomb County, Michigan

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
General Government (Continued)			
Treasurer	\$ 18,500	\$ 18,486	\$ 14
Election department	2,300	2,100	200
Landfill services	<u>106,000</u>	<u>103,925</u>	<u>2,075</u>
Total general government	385,794	377,140	8,654
Public Safety			
Ambulance service	43,650	44,250	(600)
Inspector's salary	40,575	57,703	(17,128)
Fire contracts	<u>45,388</u>	<u>52,590</u>	<u>(7,202)</u>
Total public safety	129,613	154,543	(24,930)
Highways and Streets	44,010	44,010	-
Recreation and Cultural	14,200	13,873	327
Capital Outlay	13,550	14,371	(821)
Debt Service - Note redemption and interest	<u>50,000</u>	<u>48,622</u>	<u>1,378</u>
Total expenditures	<u><u>\$ 637,167</u></u>	<u><u>\$ 652,559</u></u>	<u><u>\$ (15,392)</u></u>

Township of Richmond Macomb County, Michigan

Fiduciary Funds - Combining Balance Sheet June 30, 2003

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets - Cash and investments	<u>\$ 12,582</u>	<u>\$ 76,297</u>	<u>\$ 88,879</u>
Liabilities			
Due to General Fund	\$ 12,582	\$ -	\$ 12,582
Cash bonds and deposits	<u>-</u>	<u>76,297</u>	<u>76,297</u>
Total liabilities	<u>\$ 12,582</u>	<u>\$ 76,297</u>	<u>\$ 88,879</u>

Township of Richmond Macomb County, Michigan

Schedule of Indebtedness June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Principal Outstanding	
			June 30 2003	2002
\$500,000 installment purchase contract issued October 30, 1998	2.50	10/30/2013	\$ 387,158	\$ 414,095
Vehicle loan payable	0.00	11/30/2004	<u>14,068</u>	<u>23,999</u>
Total indebtedness			<u>\$ 401,226</u>	<u>\$ 438,094</u>