9-1090

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

RECEIVED
DEPT. OF TREASURY
AUG - 3 2004

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Kawkawlin	Bay

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	June 11, 2004	June 11, 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.

RECEIVED
DEPT. OF TREASURY
AUG - 3 2004
LOCAL AUDIT & FINANCE DIV.

We affirm that:

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

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

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

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

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

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

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

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

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

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

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

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

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 11, 2004

To the Township Board
Township of Kawkawlin
Bay County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Kawkawlin, Bay County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Kawkawlin'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above presents fairly, in all material respects, the financial position of the Township of Kawkawlin, Bay County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

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

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	Governmental Fund Types		Fiduciary Fund Type
Assets	General	Special Revenue	Agency
Cash in bank	631 269 24	158 389 28	38 320 69
Investments	36 855 08	-	-
Taxes receivable	33 037 04	275 00	-
Special assessments receivable	83 395 68	-	-
Due from other funds	27 302 26	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets	811 859 30	158 664 28	38 320 69
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	-	-	27 302 26
Due to others	-	-	11 018 43
Deferred revenue	83 395 68	-	-
Contracts payable	-	-	-
Total liabilities	83 395 68	-	38 320 69
Fund balances:			
Unreserved:			
Undesignated	728 463 62	158 664 28	-
Total fund balances	728 463 62	158 664 28	-
Total Liabilities and Fund Balances	811 859 30	158 664 28	38 320 69

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

Account Group General Long-Term Debt	Total (Memorandum Only)
-	827 979 21
-	36 855 08
-	33 312 04
-	83 395 68
-	27 302 26
498 810 84	498 810 84
498 810 84	1 507 655 11
-	27 302 26
-	11 018 43
-	83 395 68
498 810 84	498 810 84
498 810 84	620 527 21
-	887 127 90
-	887 127 90
498 810 84	1 507 655 11

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 1

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property taxes	133 192 93	-	133 192 93
Licenses and permits	3 243 58	53 477 00	56 720 58
State revenue sharing	361 959 00	-	361 959 00
Charges for services:			
Property tax administration	47 106 52	-	47 106 52
Cemetery	5 000 00	30 127 60	35 127 60
Water	56 900 00	-	56 900 00
Interest	9 006 56	-	9 006 56
Rents and royalties	49 389 71	-	49 389 71
Special assessments	237 079 00	2 827 00	239 906 00
Miscellaneous	20 438 08	653 20	21 091 28
Total revenues	923 315 38	87 084 80	1 010 400 18
Expenditures:			
Legislative:			
Township Board	39 996 56	-	39 996 56
General government:			
Supervisor	20 160 00	-	20 160 00
Elections	1 134 28	-	1 134 28
Assessor	28 934 77	-	28 934 77
Clerk	20 759 05	-	20 759 05
Board of Review	605 00	-	605 00
Treasurer	20 760 00	-	20 760 00
Building and grounds	30 398 19	-	30 398 19
Cemetery	-	31 886 83	31 886 83
Administration	45 564 70	-	45 564 70
Public safety:			
Fire protection	124 593 75	-	124 593 75
Protective inspection	-	43 044 21	43 044 21
Planning and zoning	3 382 50	-	3 382 50
Public works:			
Drains	10 548 98	-	10 548 98
Highways and streets	14 002 88	-	14 002 88
Street lighting	-	2 570 48	2 570 48
Sanitation	203 414 52	-	203 414 52
Culture and recreation	9 743 24	-	9 743 24

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

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

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

EXHIBIT B
Page 2

Year Ended March 31, 2004

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Expenditures: (continued)			
Capital outlay	435 032 68	-	435 032 68
Debt service	214 934 53	-	214 934 53
Total expenditures	1 223 965 63	77 501 52	1 301 467 15
Excess (deficiency) of revenues over expenditures	(300 650 25)	9 583 28	(291 066 97)
Fund balances, April 1	1 029 113 87	149 081 00	1 178 194 87
Fund Balances, March 31	728 463 62	158 664 28	887 127 90

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

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

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

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	130 000 00	133 192 93	3 192 93
Licenses and permits	2 550 00	3 243 58	693 58
State revenue sharing	411 815 00	361 959 00	(49 856 00)
Charges for services:			
Property tax administration	52 116 00	47 106 52	(5 009 48)
Cemetery	5 000 00	5 000 00	-
Water	48 000 00	56 900 00	8 900 00
Interest	15 000 00	9 006 56	(5 993 44)
Rents and royalties	51 880 00	49 389 71	(2 490 29)
Special assessments	237 520 00	237 079 00	(441 00)
Miscellaneous	14 890 00	20 438 08	5 548 08
Total revenues	968 771 00	923 315 38	(45 455 62)
Expenditures:			
Legislative:			
Township Board	43 524 00	39 996 56	(3 527 44)
General government:			
Supervisor	20 160 00	20 160 00	-
Elections	1 450 00	1 134 28	(315 72)
Assessor	29 013 00	28 934 77	(78 23)
Clerk	20 760 00	20 759 05	(95)
Board of Review	705 00	605 00	(100 00)
Treasurer	20 760 00	20 760 00	-
Building and grounds	34 331 00	30 398 19	(3 932 81)
Cemetery	-	-	-
Administration	51 641 00	45 564 70	(6 076 30)
Public safety:			
Fire protection	134 742 00	124 593 75	(10 148 25)
Protective inspection	-	-	-
Planning and zoning	8 800 00	3 382 50	(5 417 50)

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

Special Revenue Funds		
Budget	Actual	Over (Under) Budget
-	-	-
57 000 00	53 477 00	(3 523 00)
-	-	-
-	-	-
32 510 00	30 127 60	(2 382 40)
-	-	-
-	-	-
-	-	-
2 757 00	2 827 00	70 00
400 00	653 20	253 20
92 667 00	87 084 80	(5 582 20)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
32 910 00	31 886 83	(1 023 17)
-	-	-
-	-	-
47 470 00	43 044 21	(4 425 79)
-	-	-

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	General Fund		
	Budget	Actual	Over (Under) Budget
Expenditures: (continued)			
Public works:			
Drains	10 700 00	10 548 98	(151 02)
Highways and streets	14 400 00	14 002 88	(397 12)
Street lighting	-	-	-
Sanitation	223 000 00	203 414 52	(19 585 48)
Culture and recreation:			
Recreation	11 800 00	9 743 24	(2 056 76)
Capital outlay	458 983 00	435 032 68	(23 950 32)
Debt service	215 650 00	214 934 53	(715 47)
Total expenditures	1 300 419 00	1 223 965 63	(76 453 37)
Excess (deficiency) of revenues over expenditures	(331 648 00)	(300 650 25)	30 997 75
Fund balances, April 1	360 000 00	1 029 113 87	669 113 87
Fund Balances, March 31	28 352 00	728 463 62	700 111 62

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

Special Revenue Funds		
Budget	Actual	Over (Under) Budget
-	-	-
-	-	-
2 700 00	2 570 48	(129 52)
-	-	-
-	-	-
-	-	-
-	-	-
83 080 00	77 501 52	(5 578 48)
9 587 00	9 583 28	(3 72)
-	149 081 00	149 081 00
9 587 00	158 664 28	149 077 28

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Kawkawlin, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Kawkawlin. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.5450 mills, and the taxable value was $113,549,125.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not maintained the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	827 979 21

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	300 000 00
Uninsured and Uncollateralized	539 346 89
Total Deposits	839 346 89

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount
Risk-Categorized:				
Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-

Note 2 – Deposits and Investments (continued)

	(1)	(2)	(3)	Carrying Amount
Nonrisk-Categorized:				
Financial Institution Pooled Funds				36 855 08
Total Investments				36 855 08

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	27 302 26	Current Tax Collection	27 302 26
Total	27 302 26	Total	27 302 26

Note 4 – Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt:

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Contract payable – roads	115 536 19	45 550 33	142 987 21	18 099 31
Contract payable – sewer	70 000 00	-	14 000 00	56 000 00
Contract payable – fire truck	478 408 99	-	53 697 46	424 711 53
Totals	663 945 18	45 550 33	210 684 67	498 810 84

Contract Payable – Roads

The contract payable represents amounts due to the Bay County Road Commission. The contract is recorded in the General Long-Term Debt Account Group.

Note 4 – Changes in General Long-Term Debt (continued)

Contract Payable – Sewer

On December 17, 1997, the Township entered into a contract with the Bay County Department of Water and Sewer for sewer line extensions. The contract requires ten annual payments of $14,000.00 plus interest at 5.45% beginning June 1, 1998, through June 1, 2007. The contract is recorded in the General Long-Term Debt Account Group.

Contract Payable – Fire Truck

On November 4, 2002, the Township entered into a contract to purchase a new fire truck and to refinance an existing contract on another fire truck. The contract requires monthly payments beginning January 1, 2003, through December 1, 2010 in the amount of $5,995.61 including interest at the rate of 3.97% per annum. The contract is recorded in the General Long-Term Debt Account Group.

Note 5 – Deferred Compensation Plan

The Township has no deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. During the year ended March 31, 2004, the Township contributed $21,827.79 to the plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation 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 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of $53,477.00 and building permit expenses of $43,044.21.

Note 9 – Total Columns on Combined Statements--Overview

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

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT D
March 31, 2003

	Building	Cemetery	Street Light	Budget Stabilization	Total
Assets					
Cash in bank	63 425 21	43 916 36	1 047 71	50 000 00	158 389 28
Taxes receivable	-	-	275 00	-	275 00
Total Assets	63 425 21	43 916 36	1 322 71	50 000 00	158 664 28
Fund Balances					
Fund balances:					
Unreserved:					
Undesignated	63 425 21	43 916 36	1 322 71	50 000 00	158 664 28
Total Fund Balances	63 425 21	43 916 36	1 322 71	50 000 00	158 664 28

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

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

EXHIBIT E

Year Ended March 31, 2004

	Building	Cemetery	Street Light	Budget Stabilization	Total
Revenues:					
Licenses and permits	53 477 00	-	-	-	53 477 00
Charges for services:					
Cemetery	-	30 127 60	-	-	30 127 60
Special assessments	-	-	2 827 00	-	2 827 00
Miscellaneous	-	653 20	-	-	653 20
Total revenues	53 477 00	30 780 80	2 827 00	-	87 084 80
Expenditures:					
General government:					
Cemetery:					
Administration	-	5 000 00	-	-	5 000 00
Contracted services	-	23 484 00	-	-	23 484 00
Utilities	-	289 27	-	-	289 27
Repairs and maintenance	-	1 695 56	-	-	1 695 56
Miscellaneous	-	1 418 00	-	-	1 418 00
Public safety:					
Protective inspection:					
Wages	34 445 60	-	-	-	34 445 60
Insurance	1 799 30	-	-	-	1 799 30
Utilities	1 680 45	-	-	-	1 680 45
Miscellaneous	5 118 86	-	-	-	5 118 86
Public works:					
Street lighting:					
Contracted services	-	-	2 570 48	-	2 570 48
Total expenditures	43 044 21	31 886 83	2 570 48	-	77 501 52
Excess (deficiency) of revenues over expenditures	10 432 79	(1 106 03)	256 52	-	9 583 28
Fund balances, April 1	52 992 42	45 022 39	1 066 19	50 000 00	149 081 00
Fund Balances, March 31	63 425 21	43 916 36	1 322 71	50 000 00	158 664 28

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT F

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in bank	162 109 29	3 484 377 01	3 608 165 61	38 320 69
Total Assets	162 109 29	3 484 377 01	3 608 165 61	38 320 69
Liabilities				
Due to other funds	155 385 63	378 964 31	507 047 68	27 302 26
Due to others	6 723 66	3 105 412 70	3 101 117 93	11 018 43
Total Liabilities	162 109 29	3 484 377 01	3 608 165 61	38 320 69

TOWNSHIP OF KAWKAWLIN
Bay County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT G

Cash in bank – beginning of year	162 109 29
Cash receipts:	
Property tax	3 448 361 16
Animal licenses	234 00
Interest	1 530 75
Property tax administration fee	34 251 10
Total cash receipts	3 484 377 01
Total beginning balance and cash receipts	3 646 486 30
Cash disbursements:	
Township General Fund	504 495 68
Township Street Light Fund	2 552 00
Bay County	1 706 543 03
Bay Metro Transit	79 945 04
Delta College	272 857 26
Bay-Arenac Intermediate School District	532 776 08
Bay City Schools	377 985 60
Pinconning Area Schools	85 807 06
Linwood Water District	28 806 48
State of Michigan	1 960 00
Refunds	14 437 38
Total cash disbursements	3 608 165 61
Cash in Bank – End of Year	38 320 69

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUG - 3 2004
LOCAL AUDIT & FINANCE DIV.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 11, 2004

To the Township Board
Township of Kawkawlin
Bay County, Michigan

We have audited the financial statements of the Township of Kawkawlin, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Kawkawlin in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Kawkawlin
Bay County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Kawkawlin
Bay County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Kawkawlin will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants