HIGHLAND TOWNSHIP, OSCEOLA COUNTY

MARION, MICHIGAN

MARCH 31, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

RECEIVED
DEPT. OF TREASURY
AUG 16 2004
LOCAL AUDIT & FINANCE DIV.

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Highland Township	Osceola

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	6/9/04	8/6/04

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.

☐ 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 in 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 the 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.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
Baird, Cotter and Bishop, P.C.			
Street Address	City	State	ZIP
134 W. Harris Street	Cadillac	MI	49601
Accountant Signature		Date	
Jonathan Daly CPA		8-4-04	

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

MARCH 31, 2004

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Baird, Cotter and Bishop, P.C.

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JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

June 9, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Highland Township
Osceola County
Marion, Michigan

We have audited the accompanying general-purpose financial statements of Highland Township, Osceola County, Marion, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. 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 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.

As described in Note I.B, the township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Highland Township, Osceola County, Marion, Michigan as of March 31, 2004 and the cash receipts it received and disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop P.C.

EXHIBIT A

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES AND ACCOUNT GROUP
MARCH 31, 2004

	GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	AGENCY	GENERAL FIXED ASSETS	
ASSETS				
Cash				
Commercial Account	$ 1,413	$ 228	$ 0	$ 1,641
Money Market Account	17,144	0	0	17,144
Certificates of Deposit	180,000	0	0	180,000
Taxes Receivable	1,896	0	0	1,896
Land and Buildings	0	0	59,986	59,986
Machinery and Equipment	0	0	28,739	28,739
Furniture and Fixtures	0	0	9,843	9,843
TOTAL ASSETS	$ 200,453	$ 228	$ 98,568	$ 299,249
LIABILITIES AND EQUITY				
LIABILITIES				
Deferred Revenue	$ 1,896	$ 0	$ 0	$ 1,896
EQUITY				
Investment in General Fixed Assets	$ 0	$ 0	$ 98,568	$ 98,568
Balance				
Unreserved	198,557	228	0	198,785
Total Equity	$ 198,557	$ 228	$ 98,568	$ 297,353
TOTAL LIABILITIES AND EQUITY	$ 200,453	$ 228	$ 98,568	$ 299,249

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

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS		
Taxes	$ 28,534	
Non-Business Licenses and Permits	720	
State Grants	85,792	
Charges for Services	2,152	
Interest and Rents	3,267	
Other Receipts	250	
Total Receipts		$ 120,715
DISBURSEMENTS		
Legislative		
Township Board	$ 1,494	
General Government		
Supervisor	2,295	
Assessor	13,638	
Clerk	7,824	
Board of Review	908	
Treasurer	9,831	
Building and Grounds	2,819	
Cemetery	6,948	
Public Safety	11,372	
Public Works	50,400	
Recreation and Cultural	905	
Other Functions	5,402	
Total Disbursements		113,836
Excess of Receipts Over (Under) Disbursements		$ 6,879
BALANCE - April 1, 2003		191,678
BALANCE - March 31, 2004		$ 198,557

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

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes	$ 20,000	$ 28,534	$ 8,534
Non-Business Licenses and Permits	450	720	270
State Grants	70,000	85,792	15,792
Charges for Services	0	2,152	2,152
Interest and Rents	1,800	3,267	1,467
Other Receipts	450	250	(200)
Total Receipts	$ 92,700	$ 120,715	$ 28,015
DISBURSEMENTS			
Legislative			
Township Board	$ 2,500	$ 1,494	$ 1,006
General Government			
Supervisor	2,550	2,295	255
Election	2,000	0	2,000
Assessor	14,000	13,638	362
Clerk	8,850	7,824	1,026
Board of Review	1,500	908	592
Treasurer	10,500	9,831	669
Building and Grounds	4,900	2,819	2,081
Cemetery	7,500	6,948	552
Public Safety	15,000	11,372	3,628
Public Works	60,000	50,400	9,600
Recreation and Cultural	925	905	20
Other Functions	6,000	5,402	598
Contingency	68,000	0	68,000
Total Disbursements	$ 204,225	$ 113,836	$ 90,389
Excess of Receipts Over (Under) Disbursements	$ (111,525)	$ 6,879	$ 118,404
BALANCE - April 1, 2003	191,678	191,678	0
BALANCE - March 31, 2004	$ 80,153	$ 198,557	$ 118,404

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

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Highland Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in it's reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for these funds which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund types:

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.

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or three months or less from date of acquisition.

The township treasurer is limited to investments authorized by act 20 of 1943, as amended, and may invest in the following:

A. Bonds, securities, and other obligations of the United States or an agency or an instrumentality of the United States.

B. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Highland Township Board at the Board's organizational meeting after each regular election of Township board members.

C. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

D. Repurchase agreements consisting of instruments listed in (A).

E. Banker's acceptances of the United States banks.

F. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.

G. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

H. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.11 to 129.118.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

5. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township 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 receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 25, 2003, or as amended from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's regular deposits was $198,785 and the bank balance was $198,972. Of the bank balance, $121,641 was covered by federal depository insurance. The remaining $77,331 are in accounts which exceed the federal depository insurance unit of $100,000 and are also uncollateralized.

The Township's carrying amount of deposits at year-end are shown below:

	GENERAL FUND	CURRENT TAX COLLECTION FUND
Chemical Bank West		
Commercial Accounts	$ 1,413	$ 228
Money Market Account	17,144	0
Certificates of Deposit	160,000	0
Citizens Bank		
Certificates of Deposit	20,000	0
Total	$ 198,557	$ 228

B. Fixed Assets

Activity in the general fixed assets account group for the township for the year ended March 31, 2004, was as follows:

GENERAL FIXED ASSETS	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Building	$ 59,986	$ 0	$ 0	$ 59,986
Machinery and Equipment	32,917	1,822	6,000	28,739
Furniture and Fixtures	7,450	2,393	0	9,843
	$ 100,353	$ 4,215	$ 6,000	$ 98,568

C. Fire Protection Contract

The Township has a contract with the Marion Community Fire Department and paid $9,967 for fire protection for the period March 1, 2003 to February 29, 2004.

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 0.9426 mills for general operating purposes on a taxable value of $20,974,501 on the 2003 tax roll.

Properties are assessed January 1 and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14, with a final collection date of February 28, before they are added to the County tax rolls. Property taxes levied December 1, which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied.

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense was as follows:

	INTEREST INCOME	INTEREST EXPENSE
General Fund	$ 3,087	$ 0

C. Current Tax Collection Fund Balance

The balance of $228 remaining in the Current Tax Collections Fund as of March 31, 2004, consisted of an advance from the General Fund to maintain a minimum tax fund balance.

D. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including worker's compensation insurance and fidelity bonds.

E. Property Tax Administration Fee

The Township passed a resolution on September 12, 1989, to charge a 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collections will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Commercial Account	$ 1,413
Money Market Account	17,144
Certificates of Deposit	180,000
Taxes Receivable	1,896
TOTAL ASSETS	$ 200,453

LIABILITIES AND EQUITY

LIABILITIES	
Deferred Revenue	$ 1,896
EQUITY	
Balance	
Unreserved	198,557
TOTAL LIABILITIES AND EQUITY	$ 200,453

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
RECEIPTS			
Taxes	$ 20,000	$ 28,534	$ 8,534
Non-business Licenses and Permits	450	720	270
State Grants	70,000	85,792	15,792
Charges for Services	0	2,152	2,152
Interest and Rents	1,800	3,267	1,467
Other Receipts	450	250	(200)
Total Receipts	$ 92,700	$ 120,715	$ 28,015
DISBURSEMENTS			
Legislative			
Township Board	$ 2,500	$ 1,494	$ 1,006
General Government			
Supervisor	2,550	2,295	255
Election	2,000	0	2,000
Assessor	14,000	13,638	362
Clerk	8,850	7,824	1,026
Board of Review	1,500	908	592
Treasurer	10,500	9,831	669
Building and Grounds	4,900	2,819	2,081
Cemetery	7,500	6,948	552
Public Safety			
Fire Department	11,000	9,967	1,033
Planning and Zoning	4,000	1,405	2,595

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
Public Works	60,000	50,400	9,600
Recreation and Cultural	925	905	20
Other Functions	6,000	5,402	598
Contingency	68,000	0	68,000
Total Disbursements	$ 204,225	$ 113,836	$ 90,389
Excess of Receipts Over (Under) Disbursements	$ (111,525)	$ 6,879	$ 118,404
BALANCE - April 1, 2003	191,678	191,678	0
BALANCE - March 31, 2004	$ 80,153	$ 198,557	$ 118,404

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS
FOR THE YEAR ENDED MARCH 31, 2004

TAXES		
Current Property Taxes	$ 17,870	
Property Tax Administration Fee	5,555	
Delinquent Property Tax and Interest	2,791	
Reimbursement for Summer Tax Collection	2,318	
Total Taxes		$ 28,534
NON-BUSINESS LICENSES AND PERMITS		
Zoning Permits		720
STATE GRANTS		
State Revenue Sharing		
Sales and Use Tax		85,792
CHARGES FOR SERVICES		
Dog License Fees	$ 25	
Other Charges	2,127	
Total Charges for Services		2,152
INTERESTS AND RENTS		
Interest Earnings	$ 3,087	
Rents and Royalties	180	
Total Interest and Rents		3,267
OTHER RECEIPTS		
Cemetery Lot Sales	$ 100	
Miscellaneous	150	
Total Other Receipts		250
TOTAL RECEIPTS		$ 120,715

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE				
Township Board				
Personal Services				
Salaries and Wages			$ 890	
Other Services and Charges				
Printing and Publishing			32	
Dues and Fees			474	
Transportation			50	
Supplies			48	
Total Legislative				$ 1,494
GENERAL GOVERNMENT				
Supervisor				
Personal Services				
Salaries and Wages			$ 2,295	
Assessor				
Supplies				
Postage	$ 319			
Office Supplies	375			
Other Services and Charges				
Dues and Fees	155			
Transportation	166			
Printing and Publishing	1,422			
Telephone	44			
Capital Outlay	1,822			
Contracted Services	9,335		13,638	
Clerk				
Personal Services				
Salaries and Wages	$ 7,000			
Salaries and Wages - Deputy	50			
Salaries and Wages - Per Diem	260			
Supplies				
Office Supplies	338			
Other Services and Charges				
Postage	60			
Telephone	13			
Transportation	103		7,824	

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Board of Review		
Personal Services		
Salaries and Wages		908
Treasurer		
Personal Services		
Salaries and Wages	$ 7,000	
Salaries and Wages - Deputy	50	
Salaries and Wages - Per Diem	320	
Supplies		
Office Supplies	107	
Other Services and Charges		
Printing and Publishing	695	
Postage	833	
Dues and Fees	300	
Telephone	35	
Transportation	416	
Conferences	75	9,831
Building and Grounds		
Personal Services		
Salaries and Wages	$ 600	
Supplies		
Operating Supplies	16	
Other Services and Charges		
Public Utilities	1,870	
Contracted Services	234	
Capital Outlay	99	2,819
Cemetery		
Personal Services		
Salaries and Wages	$ 3,665	
Supplies		
Operating Supplies	623	
Other Services and Charges		
Repairs and Maintenance	254	
Gas and Oil	39	
Miscellaneous	73	
Capital Outlay	2,294	6,948
Total General Government		44,263

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC SAFETY			
Fire Department			
Other Services and Charges			
Aid to Other Governments		$ 9,967	
Planning and Zoning			
Personal Services			
Salaries and Wages	$ 1,310		
Other Services and Charges			
Office Supplies	8		
Transportation	45		
Printing and Publishing	42	1,405	
Total Public Safety			11,372
PUBLIC WORKS			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance			50,400
RECREATION AND CULTURAL			
Library			
Other Services and Charges			
Aid to Other Governments			905
OTHER FUNCTIONS			
Insurance and Bonds		$ 3,125	
Employee Benefits			
Medicare and Social Security	$ 1,575		
Worker's Compensation	702		
Total Employee Benefits		2,277	
Total Other Functions			5,402
TOTAL CASH DISBURSEMENTS			$ 113,836

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Commercial Account	$ 228

EQUITY

BALANCE	
Unreserved	$ 228

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS			
Current Tax Collections			$ 556,435
Property Tax Administration Fee			5,555
Delinquent Personal Property Tax			821
Late Payment Penalty			436
Dog License Fees			153
Interest Earnings			57
Overcollections from Taxpayers			713
Reimbursement for Summer Tax Collection			2,318
Total Receipts			$ 566,488
DISBURSEMENTS			
Payments to County Treasurer			
Current Tax			
County	$ 173,807		
State Education Tax	98,083		
Delinquent Personal Property Tax			
County	167		
State Education Tax	108		
Late Payment Penalty	159		
Dog License Fees	153		
Overpayments	140	$ 272,617	
Payments to Township Treasurer			
Current Tax	$ 17,870		
Property Tax Administration Fee	5,555		
Delinquent Personal Property Tax	56		
Interest Earnings	60		
Late Payment Penalty	279		
Reimbursement for Summer Tax Collection	2,318	26,138	
Payments to School Treasurer			
Current Tax			
Marion Public Schools	$ 84,654		
McBain Rural Agricultural School	68,238		
Delinquent Personal Property Tax			
Marion Public Schools	381	153,273	

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

Payments to Intermediate School Treasurer			
Current Tax	$ 113,782		
Delinquent Personal Property Tax	109	113,891	
Refund of Overcollections to Taxpayers		573	
Total Disbursements			566,492
Excess of Receipts Over (Under) Disbursements			$ (4)
BALANCE - April 1, 2003			232
BALANCE - March 31, 2004			$ 228

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
GENERAL FIXED ASSETS				
Land and Buildings	$ 59,986	$ 0	$ 0	$ 59,986
Machinery and Equipment	32,917	1,822	6,000	28,739
Furniture and Fixtures	7,450	2,393	0	9,843
	$ 100,353	$ 4,215	$ 6,000	$ 98,568
INVESTMENT IN GENERAL FIXED ASSETS	$ 100,353	$ 4,215	$ 6,000	$ 98,568

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED		
County	$ 192,236	
County - State Education Tax	104,873	
Township	19,766	
Schools		
Marion Public Schools	96,581	
McBain Rural Agricultural School	72,197	
Intermediate School		
Wexford-Missaukee	125,849	$ 611,502
TAXES COLLECTED		
County	$ 173,797	
County - State Education Tax	98,083	
Township	17,870	
Schools		
Marion Public Schools	84,665	
McBain Rural Agricultural School	68,242	
Intermediate School		
Wexford-Missaukee	113,778	556,435
TAXES RETURNED DELINQUENT		
County	$ 18,439	
County - State Education Tax	6,790	
Township	1,896	
Schools		
Marion Public Schools	11,916	
McBain Rural Agricultural School	3,955	
Intermediate School		
Wexford-Missaukee	12,071	$ 55,067

134 WEST HARRIS STREET
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JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

June 9, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Highland Township
Osceola County
Marion, Michigan

During the course of our audit of the general-purpose financial statements of Highland Township for the year ended March 31, 2004, we noted the following list of items which we feel deserve comment:

Budgeting
The Township is doing an excellent job of complying with Public Act 621 "The Uniform Budgeting and Accounting Act." The Township incurred expenditures in excess of amounts appropriated in no categories.

Property Tax Administration Fee
As reported in Note IV.E of the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

GASB 34
The Governmental Accounting Standards Board (GASB) has issued statement number 34 which will become effective for the Township for the year ending March 31, 2005. We are available to assist the Township in determining the effect this new pronouncement will have on the Township as well as what the Michigan Department of Treasury will require of the Township related to GASB 34.

The accounting records for the year ended March 31, 2004, were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

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June 9, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Highland Township
Osceola County
Marion, Michigan

In planning and performing our audit of the general-purpose financial statements of Highland Township, Osceola County, Marion, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop P.C.