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

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Thetford Township	Genesee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	June 25, 2004	

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

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

☐ 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 1-968, 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 1 00% 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.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
BKR Dupuis & Ryden			
Street Address	City	State	ZIP
111 E. Court Street, Suite 1A	Flint	MI	48502
Accountant Signature	Peggy Haw Jury, CPA		

Annual Financial Report

Thetford Township
Clio, Michigan

March 31, 2004

with *Independent Auditors' Report*

Annual Financial Report
Thetford Township
March 31, 2004

Township Board

Luther Hatchett	Supervisor
Duane B. Hammond	Treasurer
Myra J. Hobson	Clerk
Edgar Benning	Trustee
Carmon Fox	Trustee
Henry Jacobi	Trustee
Eileen Kerr	Trustee

Thetford Township
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March 31, 2004

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General Purpose Financial Statements

BKR DUPUIS & RYDEN
Financial Services

A Professional Corporation
An Independent Member of BKR International
With Offices Throughout the World

Independent Auditors' Report

The Honorable Members
of the Township Board
Thetford Township
Clio, Michigan

We have audited the accompanying general purpose financial statements of Thetford Township (Township), Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Thetford Township, Michigan at March 31, 2004, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information on pages 23 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements of Thetford Township, Michigan. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

June 25, 2004

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Township of Thetford
Combined Balance Sheet -
All Fund Types and Account Groups
March 31, 2004

	Governmental Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	General	Enterprise	Trust and Agency
Assets and Other Debits			
Cash and cash equivalents	$ 555,989	$ 344,620	$ 74,668
Investments	1,207,908	831,908	147,000
Receivables:			
Taxes	-	-	50,737
Accounts	2,088	16,404	-
Unbilled utility	-	32,985	-
Tap-in fees	-	195	-
Accrued interest	38,819	49,975	3,831
Due from other funds	64,098	90,082	38,786
Due from other governments	78,136	-	-
Fixed assets - net of accumulated depreciation	-	782,357	-
Amount to be provided for capital leases	-	-	-
Total assets and other debits	$ 1,947,038	$ 2,148,526	$ 315,022
Liabilities, Fund Equity, and Other Credits			
Liabilities:			
Accounts payable	$ 26,697	$ 24,227	$ 80
Deposits and advances	4,425	-	2,967
Due to other funds	1,310	83,280	108,376
Due to other governmental units	-	-	11,565
Capital leases	-	-	-
Long-term debt	-	170,800	-
Total liabilities	32,432	278,307	122,988
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Contributed capital	-	457,853	-
Retained earnings	-	1,412,366	-
Fund balance:			
Reserve for cemetery-expendable	-	-	33,874
Reserve for cemetery-nonexpendable	-	-	158,160
Reserve for senior center	1,012	-	-
Designated for post retirement costs	60,897	-	-
Designated for subsequent years' expenditures	279,652	-	-
Unreserved and undesignated	1,573,045	-	-
Total fund equity and other credits	1,914,606	1,870,219	192,034
Total liabilities, fund equity, and other credits	$ 1,947,038	$ 2,148,526	$ 315,022

See notes to financial statements.

Account Groups		Totals (Memorandum Only)	
General Fixed Assets	General Long Term Debt	2004	2003
$ -	$ -	$ 975,277	$ 755,918
-	-	2,186,816	2,427,942
-	-	50,737	56,561
-	-	18,492	39,124
-	-	32,985	32,948
-	-	195	1,425
-	-	92,625	21,775
-	-	192,966	212,636
-	-	78,136	82,893
1,676,424	-	2,458,781	2,465,129
-	1,403	1,403	15,038
$ 1,676,424	$ 1,403	$ 6,088,413	$ 6,111,389
$ -	$ -	$ 51,004	$ 47,205
-	-	7,392	5,133
-	-	192,966	212,636
-	-	11,565	15,207
-	1,403	1,403	15,038
-	-	170,800	197,121
-	1,403	435,130	492,340
1,676,424	-	1,676,424	1,625,682
-	-	457,853	457,853
-	-	1,412,366	1,404,823
-	-	33,874	41,641
-	-	158,160	138,059
-	-	1,012	1,002
-	-	60,897	40,859
-	-	279,652	-
-	-	1,573,045	1,909,130
1,676,424	-	5,653,283	5,619,049
$ 1,676,424	$ 1,403	$ 6,088,413	$ 6,111,389

Township of Thetford
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended March 31, 2004

	Governmental Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Expendable Trust	2004	2003
Revenues:				
Taxes	$ 182,763	$ -	**$ 182,763**	$ 171,086
Licenses and permits	45,805	-	**45,805**	39,678
Intergovernmental:				
Federal	39,230	-	**39,230**	-
State	596,414	-	**596,414**	640,501
Charges for services	322,472	-	**322,472**	311,223
Interest and dividends	65,056	-	**65,056**	41,463
Rent	4,485	-	**4,485**	4,206
Other	9,716	-	**9,716**	10,643
Total revenues	1,265,941	-	**1,265,941**	1,218,800
Expenditures:				
Current:				
Legislative	131,531	-	**131,531**	104,581
General government	407,244	7,767	**415,011**	415,263
Public safety	248,708	-	**248,708**	262,325
Public works	382,686	-	**382,686**	551,464
Health and welfare	71,197	-	**71,197**	36,637
Recreation and culture	18,834	-	**18,834**	43,354
Insurance and bonds	42,126	-	**42,126**	26,771
Total expenditures	1,302,326	7,767	**1,310,093**	1,440,395
Deficiency of revenues over expenditures	(36,385)	(7,767)	**(44,152)**	(221,595)
Fund balance - beginning of year	1,950,991	41,641	**1,992,632**	2,214,227
Fund balance - end of year	$ 1,914,606	$ 33,874	**$ 1,948,480**	$ 1,992,632

See notes to financial statements.

Township of Thetford
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund Type
For the Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	$ 216,500	**$ 182,763**	$ (33,737)
Licenses and permits	54,650	**45,805**	(8,845)
Intergovernmental:			
Federal	175,631	**39,230**	(136,401)
State	680,000	**596,414**	(83,586)
Charges for services	324,300	**322,472**	(1,828)
Interest and dividends	124,376	**65,056**	(59,320)
Rent	5,000	**4,485**	(515)
Other	13,600	**9,716**	(3,884)
Total revenues	1,594,057	**1,265,941**	(328,116)
Expenditures:			
Current:			
Legislative	117,983	**131,531**	(13,548)
General government	465,608	**407,244**	58,364
Public safety	282,367	**248,708**	33,659
Public works	583,951	**382,686**	201,265
Health and welfare	86,318	**71,197**	15,121
Recreation and culture	17,830	**18,834**	(1,004)
Insurance and bonds	40,000	**42,126**	(2,126)
Total expenditures	1,594,057	**1,302,326**	291,731
Excess (deficiency) of revenues over expenditures	-	**(36,385)**	(36,385)
Fund balance - beginning of year	1,950,991	**1,950,991**	-
Fund balance - end of year	$ 1,950,991	**$ 1,914,606**	$ (36,385)

See notes to financial statements.

Township of Thetford
Combined Statement of Revenues, Expenses,
and Changes in Retained Earnings/Fund Balances
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended March 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	2004	2003
Operating revenues:				
Charges for services	$ 150,594	$ -	**$ 150,594**	$ 167,190
Interest and penalties	6,639	-	**6,639**	5,030
Sale of lots	-	8,200	**8,200**	9,400
Miscellaneous income	-	3,660	**3,660**	30
Total operating revenues	157,233	11,860	**169,093**	181,650
Operating expenses:				
Depreciation	57,090	-	**57,090**	57,090
Maintenance cost	14,811	-	**14,811**	19,962
Service fees	128,636	-	**128,636**	118,363
Agent fees	100	-	**100**	107
Total operating expenses	200,637	-	**200,637**	195,522
Operating income (loss)	(43,404)	11,860	**(31,544)**	(13,872)
Nonoperating revenues (expense):				
Capital contributions	-	-	-	18,000
Tap-in fees	8,200	-	**8,200**	4,200
Interest and dividend income	56,328	8,241	**64,569**	25,491
Interest expense	(13,581)	-	**(13,581)**	(15,153)
Total nonoperating revenues	50,947	8,241	**59,188**	32,538
Net income	7,543	20,101	**27,644**	18,666
Retained earnings/fund balances - beginning	1,404,823	138,059	**1,542,882**	1,524,216
Retained earnings/fund balances - ending	$ 1,412,366	$ 158,160	**$ 1,570,526**	$ 1,542,882

See notes to financial statements.

Township of Thetford
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended March 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	2004	2003
Cash flow from operating activities:				
Cash received from customers	$ 177,827	$ 11,860	$ **189,687**	$ 177,399
Cash payments to suppliers for goods/services	(146,675)	(8,874)	**(155,549)**	(133,488)
Net cash provided by operating activities	31,152	2,986	**34,138**	43,911
Cash flow from capital and related financing activities:				
Capital contributions	-	-	-	18,000
Tap-in fees collected	9,430	-	**9,430**	4,457
Purchase of fixed assets	-	-	-	(18,000)
Principal paid on long term debt	(26,321)	-	**(26,321)**	(25,460)
Interest paid on long term debt	(58,193)	-	**(58,193)**	(14,976)
Net cash used in capital and related financing activities	(75,084)	-	**(75,084)**	(35,979)
Cash flow from investing activities:				
Change in investments	(7,988)	-	**(7,988)**	121,024
Interest on investments and tap-in fees	56,328	5,845	**62,173**	25,491
Net cash provided by investing activities	48,340	5,845	**54,185**	146,515
Net increase in cash	4,408	8,831	**13,239**	154,447
Cash and cash equivalents - beginning of year	340,212	35,974	**376,186**	221,739
Cash and cash equivalents - end of year	$ 344,620	44,805	$ **389,425**	$ 376,186

Reconciliation of cash and cash equivalents combined balance sheet:

Other fiduciary fund type's cash and cash equivalents	29,863
Total cash and cash equivalents for fiduciary fund types	$ 74,668

(continued)

Township of Thetford
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds (continued)
For the Year Ended March 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	2004	2003
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (43,404)	$ 11,860	$ **(31,544)**	$ (13,872)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	57,090	-	**57,090**	57,090
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	20,595	-	**20,595**	(6,501)
(Increase) decrease in due from other funds	(24,652)	3	**(24,649)**	(17,490)
Increase (decrease) in accounts payable	(6)	-	**(6)**	905
Increase (decrease) in due to other funds	21,529	(8,877)	**12,652**	23,779
Net cash provided by operating activities	$ 31,152	$ 2,986	$ **34,138**	$ 43,911

See notes to financial statements.

Notes to Financial Statements

I. Summary of significant accounting policies

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

A. Financial reporting entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Thetford Township, Michigan (the primary government) and its component units. Component units are included in the Township's reporting entity because of the significance of their operational or functional relationships with the primary government. The Township had no component units at March 31, 2004.

The following organizations are not considered component units of Thetford Township and are excluded from the accompanying financial statements for the reasons stated.

Clio Area Library and Clio Area Fire Authority:

- Financed by other communities besides the Township of Thetford
- Serves several communities outside the Township
- Thetford Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Area Library and Clio Area Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2003, and March 31, 2004 are available for public inspection at Thetford Township.

B. Basis of presentation - 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 operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into four generic fund types, three broad fund categories, and two account groups as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

I. **Summary of significant accounting policies** - (continued)

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

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

Trust Funds – Trust Funds include Expendable and Non-expendable Trust Funds. Non-expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Account Groups

Account groups are used to establish accounting control and accountability for the Township's general fixed assets and general long-term debt. The following are the Township's account groups:

General Fixed Assets Account Group – This group of accounts is established to account for all fixed assets of the Township, other than those accounted for in the proprietary fund.

General Long-Term Debt Account Group – This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary fund.

C. Basis of accounting:

Basis of accounting refers to **when** revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the **timing** of the measurements made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal intergovernmental revenues (e.g., federal grants) and charges for services. Property taxes are recognized as revenues in the year for which they are levied. Most state intergovernmental revenues (e.g., income taxes, sales taxes), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception for this general rule is principal and interest payments on general long-term debt which is recognized when due.

I. **Summary of significant accounting policies** - (continued)

C. Basis of accounting: - (continued)

The proprietary and trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end. Non-exchange contributions (generally tap-in fees) are recorded as non-operating revenues.

D. Budgetary data:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan.
4. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at year-end, except for certain federal grants which are appropriated on a contract (grant) length basis.
6. The original budget was amended during the year in compliance with the Township bylaws and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the Township.

E. Assets, liabilities, and fund equity:

1. **General fixed assets and long-term liabilities:**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

I. **Summary of significant accounting policies** - (continued)

E. Assets, liabilities, and fund equity: - (continued)

1. **General fixed assets and long-term liabilities:** - (continued)

Fixed assets used in Governmental Fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets, as these assets are immovable and of value only to the Township. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent 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.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

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

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

In the Water and Sewer Enterprise Fund, the following estimated useful lives are used to compute depreciation:

Investment in water and sewer system	40 years

2. **Cash deposits:**

Cash deposits are carried at cost plus accrued interest and consist of checking accounts and other readily usable cash funds. The carrying value of deposits is separately displayed on the balance sheet as "cash and cash equivalents." For purpose of the Water and Sewer Fund Statement of Cash Flows, a cash and cash equivalent is defined as any liquid investment with a maturity of ninety days or less at the time of purchase.

I. **Summary of significant accounting policies** - (continued)

F. Revenues, expenditures, and expenses:

1. **Accumulated unpaid sick and vacation pay:**

Full-time, permanent employees are granted five personal days each year. Any unused personal days may be accumulated for a maximum of 50 days over a 10-year period, at which time, if unused, will expire. Upon termination any unused personal days will be compensated.

Full-time employees are granted vacation benefits in varying amounts depending on tenure with the Township. Failure to take vacation time in one year does not entitle the employee to additional time off at any future date. On separation from employment for reasons other than cause or resignation without notice, an employee shall receive vacation pay for any accrued vacation.

2. **Property taxes:**

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized when levied to the extent that they are measurable and available in accordance with GASB #1 (Revenue Recognition-Property Taxes).

G. Comparative data:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data (i.e., presentation of prior year's totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

H. Interfund transactions:

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Total columns on Combined Statements:

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

I. **Summary of significant accounting policies** - (continued)

J. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. **Detail notes on all funds and account groups**

A. Assets and liabilities:

1. **Deposits and investments:**

Deposits:

The Township's cash and cash equivalents consist of checking and savings accounts and certificates of deposit. At year-end, the carrying amount of the Township's deposits was $2,543,590, excluding petty cash of $500, and the bank balance was $2,597,971. The bank balance was larger due to outstanding checks that had not cleared the bank at year end. Of the bank balance, $909,957 was covered by federal depository insurance, and the remaining balance was neither insured nor collateralized. Certificates of deposit represented $1,976,343 of the carrying amount.

Investments:

The Township has adopted an investment policy that permits investing in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions with offices in the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, Michigan Class Investment Pools, and mutual funds comprised of the above authorized investments. The Township Board has approved the following depositories for Township use: Raymond James, Prime Vest, Bank One, Standard Federal, Republic Bank, Citizens Bank, Montrose State Bank, National City Bank, and Independent Bank. The Township's investment policy conforms with State statutes.

The Township's investments are categorized to give an indication of the level of risk assumed by the entity at year end. The categories are defined as follows: Category 1 includes investments that are insured or registered, or for which securities are held by the Township or its custodial agent in the Township's name; Category 2 includes uninsured and registered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name; and Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent not in the Township's name.

	Category			Carrying	Fair
	1	2	3	Amount	Value
Repurchase agreement (Checking/sweep account)	$ -	$ -	$407,529	$407,529	$407,529
Money markets	-	210,474	-	210,474	210,474
	$ -0-	$210,474	$407,529	$618,003	$618,003

II. **Detail notes on all funds and account groups** – (continued)

A. Assets and liabilities: - (continued)

2. **Changes in general fixed assets:**

	Balance March 31, 2003	Additions	Deletions	Balance March 31, 2004
Land	$ 113,441	$ -	$ -	$ 113,441
Buildings and improvements	813,748	2,168	-	815,916
Improvements other than buildings	234,880	-	-	234,880
Equipment and vehicles	463,613	48,574	-	512,187
Total	$1,625,682	$ 50,742	$ -0-	$1,676,424

3. **Summary of proprietary fund fixed assets:**

	Water and Sewer Enterprise
Investment in water and sewer system	$2,283,611
Less accumulated depreciation	1,501,254
Net fixed assets	$ 782,357

4. **Retirement plans:**

The Township has a defined contribution plan, which covers all full-time employees at least eighteen years of age. The plan is on a calendar year. An employee must contribute 2.5 percent of their compensation and may make an additional voluntary contribution of up to 10% of their annual compensation. Payroll costs of all employees and plan participants amounted to $359,159 and $249,847, respectively. During the current year, the General Fund contributed the Township's portion of the pension cost, amounting to $29,364, which is 12%. Employees made required and voluntary contributions to the plan during the current year. The plan is administered by the Township Clerk. Investments are made through GLP Investment Services. It is the policy of the Township to pay the pension costs as accrued.

5. **Post employment benefits other than pension:**

The Township provides health benefits to certain employees after they retire or leave office. The ordinance provides that health, medical, and dental care benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees and elected or appointed officials with a minimum of 10 years of service are eligible. The Township provides premium coverage based on a point system in which one point per year is given for number of years served plus years of age at retirement to determine benefit coverage. Full coverage is provided if 75 total points are attained and half coverage if at least 65 total points are attained.

The cost of the benefits is paid entirely by the Township as the costs are incurred. At year end, 4 retirees were eligible to receive these benefits.

For the year, $21,274 was expended in the General Fund to provide these benefits.

II. **Detail notes on all funds and account groups** – (continued)

A. Assets and liabilities: – (continued)

6. **Long-term debt:**

The following is a summary of contracts payable from the enterprise fund of the Township for the year ended March 31, 2004:

	Genesee County
Contracts payable April 1, 2003	$197,121
Year 2004 activity:	
Contract payments made	(26,321)
Contracts and obligations payable at March 31, 2004	$170,800

The Township has entered into contracts with the County of Genesee for the construction of sewer and water lines. Pursuant to these contracts, the county has sold bond issues for the construction of a sanitary sewage disposal system, a sewer trunk system, a sewer lateral system, and a water supply system. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest thereon, as it becomes due. The future principal and interest payments due on these contracts are listed below. As of March 31, 2004, all principal and interest payments due have been made. The Township will be liable for $30,137 in principal and interest for the fiscal year ending March 31, 2005. The Township does not maintain accounts or records pertaining to the issuance of bonds or the disposition of proceeds. The Township participates with a number of other municipalities in the construction and paying off of the debt on the countywide sanitary sewage disposal system. Only the Township's percentage of debt has been recorded in the Township's financial statements. The total principal outstanding on the contracts at March 31, 2004, is $170,800.

The annual requirements to amortize all debt outstanding as of March 31, 2004 are as follows:

Contract Payable – Sewer Line:

Year Ending March 31	Principal	Interest (5%)	Total
2005	$ 14,697	$ 2,886	$ 17,583
2006	14,697	2,106	16,803
2007	14,697	2,105	16,802
2008	14,697	-	14,697
	$ 58,788	$ 7,097	$ 65,885

II. **Detail notes on all funds and account groups** - (continued)

A. Assets and liabilities: - (continued)

6. **Long-term debt:** - (continued)

Contract Payable – Water Line:

This contract is non-interest bearing. The face amount of the contract at March 31, 2004 is $215,140. The discount has been calculated at 8%. Only the principal portion of the note has been shown as a liability.

Year Ending March 31	Face	Discount	Principal
2005	$ 21,514	$ 8,960	$ 12,554
2006	21,514	7,860	13,654
2007	21,514	6,660	14,854
2008	21,514	5,560	15,954
2009	21,514	4,460	17,054
2010-2011	43,028	5,086	37,942
	$150,598	$ 38,586	$112,012

Leases:

The Township has entered into long-term capital leases for copier equipment and a Ford police car. The following is a schedule, by year, of future minimum lease payments required under capital leases as of March 31, 2004:

Year Ending March 31,	Future Minimum Lease Payments
2005	$ 1,429
Total future minimum lease payments	1,429
Amount representing interest	26
Total current capital lease obligation	$ 1,403

These leases have been recorded in the general long-term debt account group.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2004, Thetford Township has not incurred any indebtedness which would be limited under Act 359. The Township's existing sewer and water debt are specifically exempted from consideration in the 10% limit computation.

II. **Detail notes on all funds and account groups** - (continued)

B. Revenues and expenditures:

1. Property taxes

Property taxes are levied based on taxable values of property located in the Township. The taxable property values for the 2002 tax levy is as follows:

	Taxable Value	Assessed Value
Real and qualified real property	$125,319,573	$160,421,576
Personal property	14,784,360	14,836,110
Total	$140,103,933	$175,257,686

For the year ended March 31, 2004, the Township levied .9588 mills for general operations. The Township also assesses a garbage assessment of $128 per household.

2. Status of funds – Community Development Block Grant

The following is an analysis of the status of approved Community Development Block Grant projects having activity during the year ended March 31, 2004. Financial transactions of the Community Block Grant Program are accounted for in the Community Development Special Revenue Fund.

	Unexpended (Overspent) Balance at April 1, 2003	Grants Awarded During 2004	Transfers In (Out) During 2004	Project Funds Expended During 2004	Unexpended (Overspent) Balance at March 31, 2004
03-36 Senior Center Van	$ -	$ 40,000	$ -	$ 39,229	$ 771
Total Township administered programs	$ -0-	$ 40,000	$ -0-	$ 39,229	$ 771

C. Individual fund interfund receivable and payable balances:

Individual fund interfund receivable and payable balances at March 31, 2004, are shown below:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency	$ 5,730
	Current tax	58,368
Sewer	Current tax	6,802
	Water	83,280
Trust and Agency	Cemetery Non-expendable Trust	4,912
Cemetery Expendable Trust	Cemetery Non-expendable Trust	33,874
Total		$192,966

III. Segment information for Enterprise Funds

The Township maintains an Enterprise Fund which provides water and sewer services. Segment information for the year ended March 31, 2004, is as follows:

	Water	Sewer	Total Enterprise Fund
Operating revenues	$ -	$ 157,233	$ 157,233
Depreciation	10,500	46,590	57,090
Operating income (loss)	(10,500)	(32,904)	(43,404)
Non-operating revenues (expenses)	(9,915)	60,862	50,947
Net income (loss)	(20,415)	27,958	7,543
Plant, property, and equipment	356,990	425,367	782,357
Current assets	1,237	1,364,932	1,366,169
Current liabilities	83,374	24,133	107,507
Long term debt:			
Bond payable	150,598	58,788	209,386
Discount on bond	(38,586)	-	(38,586)
Net working capital	(82,137)	1,340,799	1,258,662
Total equity:			
Contributed capital	279,392	178,461	457,853
Retained earnings (deficit)	(116,553)	1,528,919	1,412,366
Total assets	358,227	1,790,299	2,148,526

IV. Joint venture

Clio Area Fire Authority:

In April 1976, the Thetford Township entered into a joint venture with the City of Clio and the Charter Township of Vienna to create the Clio Area Fire Authority (this agreement was amended March 1997). The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The amended agreement calls for each of the three municipalities to pay the Fire Authority. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The contribution made by Thetford Township during 2004 was $136,901.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	Year Ended March 31, 2004
Total assets	$1,358,676
Total liabilities	484,914
Total fund equity	873,762
Total revenues	496,008
Total expenditures	481,817

IV. **Joint venture** – (continued)

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Thetford Township during 2004 was $7,700.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	Year Ended June 30, 2003
Total assets	$542,590
Total liabilities	14,288
Total fund equity	528,302
Total revenues	43,411
Total expenditures	39,017

V. **Summary disclosure of contingent liabilities**

Grants:

The Township participates in the Department of Housing and Urban Development Community Block Grant Program. These programs are subject to compliance audits by the granting agency. During the year ended March 31, 2004, the Township was not required to have a compliance audit performed in accordance with the Single Audit Act of 1984. The amount, if any, of expenditures which may be subsequently disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Water Line:

The Township Board passed a resolution for the North Loop Water Line which will commit the Township to long-term bond debt through Genesee County.

VI. **Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

VII. Building department revenues and expenses

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended March 31, 2004 is a follows:

Construction permit revenue	$ 25,073
Expenditures:	
Professional services	34,364
Revenue over (under) expenditures	$ (9,291)

VIII. Senior citizen fund balance reservation

Following the death of a Thetford Township resident, the Township received a contribution of $1,000 to be used for senior citizens. This contribution is held in the General Fund and accrues interest. Both the interest earnings and principal are available to be expended. At March 31, 2004, the funds available for expenditure are $1,012. This amount has been shown as reserved fund balance in the General Fund.

IX. Expenditures and appropriations

The following funds incurred expenditures in excess of appropriations (at departmental levels) as follows:

	Budget	Actual	Actual Over Budget
General Fund:			
Supervisor	$ 53,052	$ 56,542	$ 3,490
Assessor	36,490	36,509	19
Public Safety:			
Fire protection	135,000	136,901	1,901
Public Works:			
Drains-at-large	15,000	19,928	4,928
Recreation and Culture:			
Park pavilion	975	990	15
Recreation hall	5,275	8,329	3,054
Insurance and Bonds	40,000	42,126	2,126

X. Subsequent event

Subsequent to year end, Thetford received a consent judgment from Michigan Tax Tribunal to pay $54,051 to a taxpayer for a reduction in a 2002 tax assessment. Of the consent judgment, Thetford Township's Genesee fund is responsible for $1,790 taxes and $76 for interest. The balance of the consent judgment is due from other governments.

Combining Fund Statements

Township of Thetford
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended March 31, 2004
With Comparative Actual Totals for the Year Ended March 31, 2003

	2004			
	Budget	Actual	Variance Favorable (Unfavorable)	2003 Actual
Legislative:				
Township board	$ 117,983	$ **131,531**	$ (13,548)	$ 104,581
General government:				
Supervisor	53,052	**56,542**	(3,490)	54,157
Election	4,800	-	4,800	17,424
Assessor	36,490	**36,509**	(19)	34,100
Legal	16,000	**10,670**	5,330	14,866
Clerk	50,345	**48,490**	1,855	50,008
Board of review	2,925	**2,211**	714	1,516
Treasurer	54,863	**49,184**	5,679	52,901
Buildings and grounds	192,210	**169,021**	23,189	160,682
Cemetery	54,923	**34,617**	20,306	29,609
Total general government	465,608	**407,244**	58,364	415,263
Public safety:				
Central dispatch	-	-	-	-
Narcotic task force	5,000	**2,604**	2,396	3,634
Police protection	66,857	**65,434**	1,423	62,782
Fire protection	135,000	**136,901**	(1,901)	129,892
Ordinance inspector	41,080	**34,364**	6,716	57,542
Planning commission	27,700	**4,704**	22,996	3,372
Board of appeals	4,230	**3,010**	1,220	3,677
Disaster emergency	500	-	500	-
Traffic lights	2,000	**1,691**	309	1,426
Total public safety	282,367	**248,708**	33,659	262,325
Public works:				
Drains-at-large	15,000	**19,928**	(4,928)	13,379
Roads	236,020	**60,379**	175,641	244,381
Street lights	27,931	**7,245**	20,686	6,065
Sewer line	-	-	-	-
Garbage collection	305,000	**295,134**	9,866	287,639
Total public works	583,951	**382,686**	201,265	551,464
Health and welfare:				
Senior center	86,318	**71,197**	15,121	36,637
Recreation and culture:				
Park pavilion	975	**990**	(15)	656
Parks	2,520	**1,703**	817	31,404
Recreation hall	5,275	**8,329**	(3,054)	2,604
Library	9,060	**7,812**	1,248	8,690
Total recreation and culture	17,830	**18,834**	(1,004)	43,354
Insurance and bonds	40,000	**42,126**	(2,126)	26,771
Total expenditures	$ 1,594,057	**$ 1,302,326**	$ 291,731	$ 1,440,395

Township of Thetford
Fiduciary Funds
Combining Balance Sheet
March 31, 2004
With Comparative Totals March 31, 2003

	Cemetery Trust Funds		Agency Fund
	Expendable	Non-Expendable	Trust and Agency
Assets			
Cash and cash equivalents	$ -	$ 44,805	$ 3,865
Investments	-	147,000	-
Receivables:			
Taxes	-	-	-
Interest	-	3,831	-
Due from other funds	33,874	-	4,912
Total assets	$ 33,874	$ 195,636	$ 8,777
Liabilities and Fund Balances			
Liabilities:			
Deposits and advances	$ -	$ -	$ 2,967
Accounts Payable	-	-	80
Due to other funds	-	37,476	5,730
Due to other governmental units	-	-	-
Total liabilities	-	37,476	8,777
Fund balance:			
Reserve for cemetery-expendable	33,874	-	-
Reserve for cemetery-nonexpendable	-	158,160	-
Total fund balances	33,874	158,160	-
Total liabilities an fund balances	$ 33,874	$ 195,636	$ 8,777

Agency Fund	Totals	
Tax Collections	2004	2003
$ 25,998	$ **74,668**	$ 61,994
-	**147,000**	147,000
50,737	**50,737**	56,561
-	**3,831**	1,435
-	**38,786**	81,258
$ 76,735	$ **315,022**	$ 348,248
$ -	$ **2,967**	$ 2,459
-	**80**	
65,170	**108,376**	150,883
11,565	**11,565**	15,206
76,735	**122,988**	168,548
-	**33,874**	41,641
-	**158,160**	138,059
-	**192,034**	179,700
$ 76,735	$ **315,022**	$ 348,248

Township of Thetford
Combining Statement of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Trust and Agency				
Assets				
Cash and cash equivalents	$ 4,675	$ 9,053	$ 9,863	$ 3,865
Due from other funds	39,614	-	34,702	4,912
Total assets	$ 44,289	$ 9,053	$ 44,565	$ 8,777
Liabilities				
Deposits and advances	$ 2,459	$ 11,023	$ 10,515	$ 2,967
Accounts payable	-	80	-	80
Due to other funds	41,830	-	36,100	5,730
Total liabilities	$ 44,289	$ 11,103	$ 46,615	$ 8,777
Tax Collection				
Assets				
Cash and cash equivalents	$ 21,344	$ 4,799,131	$ 4,794,477	$ 25,998
Taxes receivable	56,562	3,757,540	3,763,365	50,737
Total assets	$ 77,906	$ 8,556,671	$ 8,557,842	$ 76,735
Liabilities				
Due to other funds	$ 62,700	$ 458,415	$ 455,945	$ 65,170
Due to other governmental units	15,206	3,233,283	3,236,924	11,565
Total liabilities	$ 77,906	$ 3,691,698	$ 3,692,869	$ 76,735
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 26,019	$ 4,808,184	$ 4,804,340	$ 29,863
Due from other funds	39,614	-	34,702	4,912
Taxes receivable	56,562	3,757,540	3,763,365	50,737
Total assets	$ 122,195	$ 8,565,724	$ 8,602,407	$ 85,512
Liabilities				
Deposits and advances	$ 2,459	$ 11,023	$ 10,515	$ 2,967
Due to other funds	104,530	458,415	492,045	70,900
Accounts payable	-	80	-	80
Due to other governmental units	15,206	3,233,283	3,236,924	11,565
Total liabilities	$ 122,195	$ 3,702,801	$ 3,739,484	$ 85,512

BKR DUPUIS & RYDEN
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September 2, 2004

Members of the Township Board
Thetford Township
Genesee County, Michigan

We have audited the financial statements of Thetford Township (the Township) for the year ended March 31, 2004, and have issued our report thereon dated June 25, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As we stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Thetford Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted during the year ended March 31, 2004. We noted no transactions entered into by Thetford Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Thetford Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted the following adjustments: accrued payroll, state shared revenue receivables, reconciliation of due to/from between funds, enterprise fund depreciation expense, that could, in our judgment, either individually or in the aggregate, have a significant effect on the Thetford Township's financial reporting process.

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Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

We became aware of certain matters, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal control and operational efficiency. We will review the status of these recommendations during next year's audit engagement.

Prior Year Comments and Status of Comment during 2004 Audit

Budget Adoption

The General Appropriations Act to adopt the annual budget needs to be expanded to include all items required per the Budget Act.

The general appropriations act must:

- state the total mills to be levied and the purpose for each millage levied (truth in budgeting act);
- include estimated revenues by source in each fund for the ensuing fiscal year.

In reading the fiscal year 2004 minutes, the general appropriations act still needs to be expanded to include all the items detailed above.

General Fixed Asset Listing

During early 2002 an actual inventory of fixed assets was completed and the general fixed asset listing updated.

The current listing is detailed by location so a comparison of assets per the listing to those on hand can be done annually. To better maintain the listing, we suggest a capitalization policy detailing the value of a fixed asset to be capitalized be adopted. We also suggest procedures be established for deleting items from the fixed asset listing. A capitalization policy as noted below is required by GASB 34. This suggestion still needs to be implemented.

Due To/From Between Funds

We suggested the due to/from between funds be reviewed on a quarterly basis and be repaid between funds. During the current audit it was noted that review of the due to/from balances still needs to be done.

Current Year Comments

Bank Transactions

The treasurer's department should prepare journal entries to record transactions that do not flow through the cash disbursement or cash receipts system such as transfers or reinvestment of certificate of deposits. Currently, transfer activity between accounts is not given to the clerk's department to be recorded in the general ledger, which causes variances between the general ledger and the bank reconciliations.

Computer System Back-up

Computer system back-up should be performed on a regularly scheduled basis. The back-ups should be stored at an off-site location. Back-ups should be verified to be sure they are properly storing the required information.

Accounts Receivable

General Fund accounts receivable in the amount of $2,088 has had the same balance for at least three years. We suggest the township determine if this amount is collectible. If it is determined that the receivable is not collectible it needs to be written off.

GASB 34 Considerations

Under GASB 34, general fixed assets must be depreciated. Therefore, a capitalization policy and fixed asset lives must be adopted by the Board. We suggest that the various categories of general fixed assets purchased by the Township be reviewed and lives be adopted to be used in depreciating these assets. The Township must comply with GASB 34 for fiscal year ended March 31, 2005.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Township's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,

Peggy Haw Jury, CPA
Principal

Flint Office