TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

RECEIVED
DEPT. OF TREASURY
JUN - 8 2004
LOCAL AUDIT & FINANCE DIV.

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

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Thompson	Schoolcraft

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

RECEIVED
DEPT. OF TREASURY
JUN - 8 2004
LOCAL AUDIT & FINANCE DIV.

We affirm that:

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

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

You must check the applicable box for each item below.

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

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

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

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

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

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

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

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

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

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

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

TABLE OF CONTENTS

	Exhibit	Page
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	C	5-6
Notes to Financial Statements		7-13
Supplementary Information:		
General Fund Expenditures by Detailed Account	D	14-15
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	E	16

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 25, 2004

To the Township Board
Township of Thompson
Schoolcraft County, Michigan

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Thompson, Schoolcraft County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

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

Campbell, Kusterer & Co., P.C.

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Agency	General Fixed Assets	
Assets				
Cash in bank	190 577 12	725 36	-	191 302 48
Investments	6 866 27	-	-	6 866 27
Due from other funds	247 15	-	-	247 15
Taxes receivable	3 934 86	-	-	3 934 86
Land and improvements	-	-	26 200 00	26 200 00
Buildings and improvements	-	-	76 400 00	76 400 00
Equipment	-	-	196 680 00	196 680 00
Total Assets	201 625 40	725 36	299 280 00	501 630 76
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	247 15	-	247 15
Due to other units	-	478 21	-	478 21
Total liabilities	-	725 36	-	725 36
Fund equity:				
Investment in general fixed assets	-	-	299 280 00	299 280 00
Fund balances:				
Reserved for cemetery	14 148 33	-	-	14 148 33
Unreserved:				
Undesignated	187 477 07	-	-	187 477 07
Total fund balances	201 625 40	-	299 280 00	500 905 40
Total Liabilities and Fund Equity	201 625 40	725 36	299 280 00	501 630 76

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

EXHIBIT B
Page 1

	Total (Memorandum Only) General Fund
Revenues:	
Property tax	31 151 25
Payments in lieu of taxes	11 491 80
State shared revenue	46 222 02
Charges for services – PTAF	13 203 60
Interest	2 486 23
Miscellaneous	16 211 00
Total revenues	120 765 90
Expenditures:	
Legislative:	
Township Board	2 220 00
General government:	
Supervisor	6 180 00
Elections	844 88
Assessor	12 820 19
Clerk	6 255 00
Treasurer	9 345 00
Township hall	7 199 06
Board of Review	812 15
Cemetery	1 404 27
Unallocated	9 715 48
Public safety:	
Fire protection	23 877 78
Public works:	
Highways and streets	17 756 25
Street lighting	1 246 96
Sanitation	4 473 00
Other:	
Insurance	9 649 00
Pension	970 59
Capital outlay	955 00
Total expenditures	115 724 61

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

EXHIBIT B
Page 2

	Total (Memorandum Only) General Fund
Excess of revenues over expenditures	5 041 29
Fund balance, April 1	196 584 11
Fund Balance, March 31	201 625 40

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property tax	45 000 00	31 151 25	(13 848 75)
Payment in lieu of taxes	5 300 00	11 491 80	6 191 80
State shared revenue	45 000 00	46 222 02	1 222 02
Charges for services – PTAF	3 800 00	13 203 60	9 403 60
Interest	2 500 00	2 486 23	(13 77)
Miscellaneous	83 500 00	16 211 00	(67 289 00)
Total revenues	185 100 00	120 765 90	(64 334 10)
Expenditures:			
Legislative:			
Township Board	2 224 00	2 220 00	(4 00)
General government:			
Supervisor	6 180 00	6 180 00	-
Elections	3 000 00	844 88	(2 155 12)
Assessor	13 460 00	12 820 19	(639 81)
Clerk	6 255 00	6 255 00	-
Treasurer	9 345 00	9 345 00	-
Township hall	7 835 00	7 199 06	(635 94)
Board of Review	815 00	812 15	(2 85)
Cemetery	1 800 00	1 404 27	(395 73)
Unallocated	10 550 00	9 715 48	(834 52)
Public safety:			
Fire protection	99 300 00	23 877 78	(75 422 22)
Public works:			
Highways and streets	21 000 00	17 756 25	(3 243 75)
Street lighting	1 300 00	1 246 96	(53 04)
Sanitation	4 500 00	4 473 00	(27 00)
Other:			
Insurance	9 750 00	9 649 00	(101 00)
Pension	7 500 00	970 59	(6 529 41)
Capital outlay	1 000 00	955 00	(45 00)
Total expenditures	205 814 00	115 724 61	(90 089 39)

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

EXHIBIT C
Page 2

Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Excess of revenues over expenditures	(20 714 00)	5 041 29	25 755 29
Fund balance, April 1	26 982 56	196 584 11	169 601 55
Fund Balance, March 31	6 268 56	201 625 40	195 356 84

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

Governmental Funds

General Fund

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

Fiduciary Fund

This fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

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

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

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 9648 mills, and the taxable value was $31,226,547.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

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

Inventories

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

Compensated Absences (Vacation and Sick Leave)

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

Budgets and Budgetary Accounting

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

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

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

3. Public hearings are held to obtain taxpayer comments.

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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

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

Encumbrances

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

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 4-1-03	Additions	Deletions	Balance 3-31-04
Land and improvements	26 200 00	-	-	26 200 00
Buildings and improvements	76 400 00	-	-	76 400 00
Equipment	195 725 00	955 00	-	196 680 00
Totals	298 325 00	955 00	-	299 280 00

Note 3 – Deposits and Investments

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

Note 3 – Deposits and Investments (continued)

Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

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

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

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

	Carrying Amounts
Total Deposits	191 302 48

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

	Bank Balances
Insured (FDIC)	211 650 05
Uninsured and Uncollateralized	1 879 72
Total Deposits	213 529 77

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

Note 3 – Deposits and Investments (continued)

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

	(1)	(2)	(3)	Carrying Amount
Investment Type				
Risk-Categorized:				
Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				6 866 27
Total Investments				6 866 27

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

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	247 15	Current Tax Collection	247 15
Total	247 15	Total	247 15

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. The covered employees also contribute 10% of their wages to the plan. Net pension expense for the fiscal year ended March 31, 2004, was $970.59.

Note 7 – Risk Management

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

Note 8 – Building Permits

The Township of Thompson does not issue building permits. Building permits are issued by the County of Schoolcraft.

Note 9 – Total Columns on Combined Statements--Overview

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

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Salaries	2 220 00
Supervisor:	
Salary	6 180 00
Elections:	
Wages and expenses	844 88
Assessor:	
Salary	11 616 25
Supplies	1 203 94
	12 820 19
Clerk:	
Salary	6 255 00
Treasurer:	
Salary	9 345 00
Township hall:	
Mowing and snow plowing	1 020 00
Utilities	514 81
Phone	451 49
Repairs and maintenance	5 212 76
	7 199 06
Board of Review	812 15
Cemetery:	
Contracted services	1 350 00
Repairs and maintenance	43 27
Miscellaneous	11 00
	1 404 27
Unallocated:	
Advertising	277 00
Dues	721 29
Manatron	5 086 86
Legal	21 50
Payroll taxes	390 69
Supplies	3 218 14
	9 715 48

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Fire protection:	
Contracted services	550 00
Insurance	1 535 36
Supplies	6 871 09
Repairs and maintenance	14 921 33
	23 877 78
Highways and streets	17 756 25
Street lighting	1 246 96
Sanitation	4 473 00
Insurance	9 649 00
Pension	970 59
Capital outlay	955 00
Total Expenditures	115 724 61

TOWNSHIP OF THOMPSON
Schoolcraft County, Michigan

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

EXHIBIT E

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in bank	3 799 93	871 559 55	874 634 12	725 36
Total Assets	3 799 93	871 559 55	874 634 12	725 36
Liabilities				
Due to other funds	218 20	37 297 37	37 268 42	247 15
Due to other units	3 581 73	834 262 18	837 365 70	478 21
Total Liabilities	3 799 93	871 559 55	874 634 12	725 36

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

RECEIVED
DEPT. OF TREASURY
JUN - 8 2004
LOCAL AUDIT & FINANCE DIV.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 25, 2004

To the Township Board
Township of Thompson
Schoolcraft County, Michigan

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

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

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

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

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

To the Township Board
Township of Thompson
Schoolcraft County, Michigan

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

To the Township Board
Township of Thompson
Schoolcraft County, Michigan

GASB 34 IMPLEMENTATION

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

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

SUMMARY

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

Sincerely,

Campbell, Kusterer & Co., P.C.

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