

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sims Township	County Arenac
Fiscal Year End 03/31/07	Opinion Date 07/06/07	Date Audit Report Submitted to State 07/20/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|----|--|
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Government Auditing Standards letter page 6-1 – 6-2 of financial statements	
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
		Zip 48602	
Authorizing CPA Signature 	Printed Name David R Youngstrom		License Number A262757

Sims Township

Arenac County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2007

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Sims Township
List of Elected and Appointed Officials
March 31, 2007

Township Board

Timothy Roche – Supervisor

Marcella Prueter – Treasurer

Wanda Boley – Clerk

Nancy Hill – Trustee

John Hoppe – Trustee



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
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Independent Auditors' Report

To the Township Board
Sims Township
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Sims Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Sims Township as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2007 on our consideration of the Sims Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sims Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

July 6, 2007
Saginaw, Michigan

Sims Township
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 895,275	\$ 714,223	\$ 1,609,498
Receivables			
Taxes	28,180	-	28,180
Customers	-	38,254	38,254
Special assessments	-	1,354,071	1,354,071
Accrued interest and other	4,125	-	4,125
Due from other units of government	12,185	-	12,185
Restricted assets			
Cash and cash equivalents	-	303,589	303,589
Investments	-	3,731,072	3,731,072
Capital assets not being depreciated	12,501	-	12,501
Capital assets net of accumulated depreciation	55,207	-	55,207
Total assets	<u>1,007,473</u>	<u>6,141,209</u>	<u>7,148,682</u>
Liabilities			
Accrued and other liabilities	-	17,800	17,800
Deferred revenue	583	-	583
Noncurrent liabilities			
Due within one year	-	154,288	154,288
Due in more than one year	-	1,969,664	1,969,664
Total liabilities	<u>583</u>	<u>2,141,752</u>	<u>2,142,335</u>
Net assets			
Invested in capital assets, net of related debt	55,207	1,607,120	1,662,327
Restricted for:			
Building construction	8,910	-	8,910
Transfer station	72,617	-	72,617
Unrestricted	870,156	2,392,337	3,262,493
Total net assets	<u>\$ 1,006,890</u>	<u>\$ 3,999,457</u>	<u>\$ 5,006,347</u>

See Accompanying Notes to Financial Statements

Sims Township
Statement of Activities
For the Year Ended March 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 124,175	\$ 41,147	\$ 4,755	\$ -	\$ (78,273)	\$ -	\$ (78,273)
Public safety	154,364	-	5,014	-	(149,350)	-	(149,350)
Public works	179,932	36,480	2,238	-	(141,214)	-	(141,214)
Community and economic development	<u>7,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,346)</u>	<u>-</u>	<u>(7,346)</u>
Total governmental activities	<u>465,817</u>	<u>77,627</u>	<u>12,007</u>	<u>-</u>	<u>(376,183)</u>	<u>-</u>	<u>(376,183)</u>
Business-type activities							
Water	<u>284,181</u>	<u>257,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,322)</u>	<u>(26,322)</u>
Total primary government	<u>\$ 749,998</u>	<u>\$ 335,486</u>	<u>\$ 12,007</u>	<u>\$ -</u>	<u>(376,183)</u>	<u>(26,322)</u>	<u>(402,505)</u>
General revenues							
Property taxes					350,300	-	350,300
State shared revenue					74,219	-	74,219
Unrestricted investment earnings					16,663	126,823	143,486
Miscellaneous					<u>3,176</u>	<u>71</u>	<u>3,247</u>
Total general revenues					<u>444,358</u>	<u>126,894</u>	<u>571,252</u>
Change in net assets					68,175	100,572	168,747
Net assets - beginning of year					<u>938,715</u>	<u>3,898,885</u>	<u>4,837,600</u>
Net assets - end of year					<u>\$ 1,006,890</u>	<u>\$ 3,999,457</u>	<u>\$ 5,006,347</u>

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Balance Sheet
March 31, 2007

	Special Revenue Funds							Total Governmental Funds
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	Fire	
Assets								
Cash and cash equivalents	\$ 518,089	\$ 30,665	\$ 123,192	\$ 33,518	\$ 116,674	\$ 73,137	\$ -	\$ 895,275
Receivables								
Taxes	10,787	-	6,328	-	5,598	-	5,467	28,180
Accrued interest and other	4,125	-	-	-	-	-	-	4,125
Due from other units of government	12,185	-	-	-	-	-	-	12,185
Due from other funds	-	-	-	20,147	-	-	-	20,147
Total assets	\$ 545,186	\$ 30,665	\$ 129,520	\$ 53,665	\$ 122,272	\$ 73,137	\$ 5,467	\$ 959,912
Liabilities								
Due to other funds	\$ -	\$ 20,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,147
Deferred revenue	10,787	-	6,328	-	5,598	-	5,467	28,180
Total liabilities	10,787	20,147	6,328	-	5,598	-	5,467	48,327
Fund balances								
Reserved for:								
Building construction	8,910	-	-	-	-	-	-	8,910
Transfer station	72,617	-	-	-	-	-	-	72,617
Unreserved, reported in:								
General fund	452,872	-	-	-	-	-	-	452,872
Special revenue funds	-	10,518	123,192	53,665	116,674	73,137	-	377,186
Total fund balances	534,399	10,518	123,192	53,665	116,674	73,137	-	911,585
Total liabilities and fund balances	\$ 545,186	\$ 30,665	\$ 129,520	\$ 53,665	\$ 122,272	\$ 73,137	\$ 5,467	\$ 959,912

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 911,585
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,708
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>27,597</u>
Net assets of governmental activities	<u>\$ 1,006,890</u>

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	Special Revenue Funds							Total Governmental Funds
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	Fire	
Revenues								
Taxes	\$ 88,331	\$ -	\$ 79,748	\$ -	\$ 70,633	\$ -	\$ 68,849	\$ 307,561
Licenses and permits	7,781	12,080	-	-	-	-	-	19,861
State revenue sharing	74,219	-	-	-	-	-	-	74,219
Other state grants	6,993	-	-	-	-	-	-	6,993
Local contributions	-	-	-	36,000	-	-	-	36,000
Charges for services	44,504	15,625	-	-	-	-	-	60,129
Interest income	12,382	118	981	98	287	2,797	-	16,663
Other revenue	5,660	1	-	1,014	2,642	-	-	9,317
Total revenues	<u>239,870</u>	<u>27,824</u>	<u>80,729</u>	<u>37,112</u>	<u>73,562</u>	<u>2,797</u>	<u>68,849</u>	<u>530,743</u>
Expenditures								
Current								
General government	121,397	-	-	-	-	-	-	121,397
Public safety	6,734	-	78,781	-	-	-	68,849	154,364
Public works	27,622	37,573	-	65,715	48,922	100	-	179,932
Community and economic development	7,346	-	-	-	-	-	-	7,346
Total expenditures	<u>163,099</u>	<u>37,573</u>	<u>78,781</u>	<u>65,715</u>	<u>48,922</u>	<u>100</u>	<u>68,849</u>	<u>463,039</u>
Excess (deficiency) of revenues over expenditures	<u>76,771</u>	<u>(9,749)</u>	<u>1,948</u>	<u>(28,603)</u>	<u>24,640</u>	<u>2,697</u>	<u>-</u>	<u>67,704</u>
Other financing sources (uses)								
Transfers in	-	-	-	36,000	-	-	-	36,000
Transfers out	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,000)</u>
Total other financing sources and uses	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	40,771	(9,749)	1,948	7,397	24,640	2,697	-	67,704
Fund balance - beginning of year	<u>493,628</u>	<u>20,267</u>	<u>121,244</u>	<u>46,268</u>	<u>92,034</u>	<u>70,440</u>	<u>-</u>	<u>843,881</u>
Fund balance - end of year	<u>\$ 534,399</u>	<u>\$ 10,518</u>	<u>\$ 123,192</u>	<u>\$ 53,665</u>	<u>\$ 116,674</u>	<u>\$ 73,137</u>	<u>\$ -</u>	<u>\$ 911,585</u>

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds	\$ 67,704
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,778)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	<u>3,249</u>
Change in net assets of governmental activities	<u><u>\$ 68,175</u></u>

See Accompanying Notes to Financial Statements

Sims Township
Proprietary Fund
Statement of Net Assets
March 31, 2007

	Enterprise Fund
	Water
Assets	
Current assets	
Cash and cash equivalents	\$ 714,223
Receivables	
Customers	38,254
Special assessments, current	110,681
Total current assets	863,158
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	303,589
Special assessments receivable, deferred	1,243,390
Investment in Sims-Whitney Utility Authority	3,731,072
Total noncurrent assets	5,278,051
Total assets	6,141,209
Liabilities	
Current liabilities	
Accrued and other liabilities	17,800
Current portion of noncurrent liabilities	154,288
Total current liabilities	172,088
Noncurrent liabilities	
Long-term debt net of current portion	1,969,664
Total liabilities	2,141,752
Net assets	
Invested in capital assets, net of related debt	1,607,120
Unrestricted	2,392,337
Total net assets	\$ 3,999,457

See Accompanying Notes to Financial Statements

Sims Township
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2007

	Enterprise Fund
	Water
Operating revenue	
Customer fees	\$ 257,859
Other revenue	<u>71</u>
Total operating revenue	<u>257,930</u>
Operating expenses	
Personnel services	9,320
Supplies	1,622
Contractual services	135,824
Other expenses	<u>19,888</u>
Total operating expenses	<u>166,654</u>
Operating income	<u>91,276</u>
Nonoperating revenue (expenses)	
Interest income	126,823
Interest expense	<u>(117,527)</u>
Total nonoperating revenues (expenses)	<u>9,296</u>
Change in net assets	100,572
Net assets - beginning of year	<u>3,898,885</u>
Net assets - end of year	<u>\$ 3,999,457</u>

See Accompanying Notes to Financial Statements

Sims Township
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2007

	Enterprise Fund
	Water
Cash flows from operating activities	
Receipts from customers	\$ 254,524
Payments to suppliers	(158,834)
Payments to employees	<u>(9,320)</u>
Net cash provided by operating activities	<u>86,370</u>
Cash flows from capital and related financing activities	
Proceeds from special assessments	129,442
Principal and interest paid on long-term debt	<u>(265,763)</u>
Net cash used by capital and related financing activities	<u>(136,321)</u>
Cash flows from investing activities	
Interest received	<u>126,823</u>
Net increase in cash and cash equivalents	76,872
Cash and cash equivalents - beginning of year	<u>940,940</u>
Cash and cash equivalents - end of year	<u>\$ 1,017,812</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 91,276
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Receivables (net)	(3,406)
Accrued and other liabilities	<u>(1,500)</u>
Net cash provided by operating activities	<u>\$ 86,370</u>

See Accompanying Notes to Financial Statements

Sims Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>56,943</u>
Liabilities	
Due to other units of government	\$ <u>56,943</u>

See Accompanying Notes to Financial Statements

Sims Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Sims Township is governed by an elected five-member Board. The accompanying financial statements present the entities for which the government is considered to be financially accountable. The financial statements of the reporting entity include those of the Township and do not include any other component within the financial statements including the financial statements of AuGres – Sims Police Board and the AuGres – Sims Fire Department which operate autonomously under an intergovernmental service agreement and are considered jointly governed organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds,

proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be

Sims Township
Notes to Financial Statements
March 31, 2007

susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Cemetery Fund accounts for the revenue and expenditures for the government's cemetery.

The Police Fund accounts for the revenue and expenditures for the government's police protection.

The Transfer Station Fund accounts for the revenue and expenditures for the government's refuse collection.

The Mosquito Fund accounts for the revenue and expenditures for the government's spraying and prevention of mosquitoes.

The Gypsy Moth Fund accounts for the revenue and expenditures for the government's spraying and prevention of gypsy moths.

The Fire Fund accounts for the revenue and expenditures for the government's fire protection.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system that are organized to be self-supporting through user-charges.

Additionally, the government reports the following:

The Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and

Sims Township
Notes to Financial Statements
March 31, 2007

services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$73,413,698,

on which ad valorem taxes consisted of 3.8142 mills for operating purposes. This resulted in approximately \$275,000 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Sims Township
Notes to Financial Statements
March 31, 2007

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of Expenditures over Appropriations

The Township incurred expenditures in excess of budget in the Fire Fund. Excess expenditures in this fund occurred in the following area:

	Budget	Actual	Excess
Fire			
Public safety	\$ -	\$ 68,849	\$ 68,849

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 895,275	\$ -
Business-type activities	714,223	303,589
Total primary government	1,609,498	303,589
Fiduciary funds	56,943	-
Total	\$ 1,666,441	\$ 303,589

Sims Township
Notes to Financial Statements
March 31, 2007

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 1,913,087	\$ 56,943

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates. The government typically invests in CDs and money market funds.

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, approximately \$1,354,812 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Primary government		
Property taxes	\$ 27,597	\$ -
Grants	\$ -	\$ 583

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,501	\$ -	\$ -	\$ 12,501
Capital assets being depreciated				
Buildings, additions and improvements	104,325	-	-	104,325
Less accumulated depreciation for Buildings, additions and improvements	46,340	2,778	-	49,118
Net capital assets being depreciated	57,985	(2,778)	-	55,207
Governmental activities capital assets, net	\$ 70,486	\$ (2,778)	\$ -	\$ 67,708
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 4,266	\$ -	\$ -	\$ 4,266
Less accumulated depreciation for Machinery and equipment	4,266	-	-	4,266
Net capital assets being depreciated	-	-	-	-
Business-type capital assets, net	\$ -	\$ -	\$ -	\$ -

Sims Township
Notes to Financial Statements
March 31, 2007

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 2,778

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfer Station	Cemetery	<u>\$ 20,147</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Transfer Station	<u>\$ 36,000</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 7 - Sims-Whitney Utilities Authority

The Sims - Whitney Utilities Authority was formed for the purpose of providing water services to residents of Sims and Whitney Townships.

Upon organization, the Authority obtained grants and loans to construct water lines in the Townships. The original loan from Farmers Home Administration amounted to \$1,160,000. To make payments on the loan, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$557,280 or 48%. The Township has pledged its full faith and credit for the payment and is obligated to make such payments from their general funds, including ad-valorem taxes, if necessary. Currently, the payments are being made through special assessments levied on the property owners involved.

The initial contract amount plus any improvements to the system by Sims Township are recorded as Investment in Sims - Whitney Utilities Authority in the Water Fund of the Township because title to the lines becomes property of the Authority.

In 1999, the Authority issued limited tax general obligation bonds in the amount of \$815,000. To make payments on the bonds, the Authority entered into contracts with the Township for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$414,998. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, payments are being made through charges for service on the property owners involved.

Also in 1999, the Authority issued limited tax general obligation bonds in the amount of \$2,265,000. To make payments on the bonds, the Authority entered into a contract with the Township of Sims for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, the payments are being made through special assessments levied on the property owners involved.

Sims Township
Notes to Financial Statements
March 31, 2007

Sims Township also pays a prorated share of the operating expenses of the Authority based on usage and other factors. In the current year the Township paid to the Authority \$125,558 for operations.

The financial statements of the Authority are available by writing to the following address: P.O. Box 127, Tawas City, Michigan 48764.

Sims Township
Notes to Financial Statements
March 31, 2007

Note 8 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Business-type activities								
Contracts Payable								
1987 water line	\$ 557,280	07/01/2021	5.0%	\$12,480 - \$27,360	\$ 309,120	\$ 12,960	\$ 296,160	\$ 13,920
1999A water system	414,998	10/01/2018	5.0%	\$15,276 - \$30,554	308,068	15,276	292,792	20,368
1999B water system	2,265,000	08/01/2019	5.1-5.9%	\$115,000 - \$120,000	<u>1,655,000</u>	<u>120,000</u>	<u>1,535,000</u>	<u>120,000</u>
Total business-type activities					<u>\$ 2,272,188</u>	<u>\$ 148,236</u>	<u>\$ 2,123,952</u>	<u>\$ 154,288</u>

Sims Township
Notes to Financial Statements
March 31, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Business-type Activites	
	Principal	Interest
2008	\$ 154,288	\$ 110,868
2009	154,768	103,114
2010	155,248	95,196
2011	156,208	87,102
2012	157,168	78,819
2013-2017	816,328	261,812
2018-2022	<u>529,944</u>	<u>49,669</u>
	<u>\$ 2,123,952</u>	<u>\$ 786,580</u>

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all 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 10 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

The Township has a defined contribution money purchase pension plan covering all elected and appointed officials and full time employees who are at least 18 years of age and who elect coverage. New employees are enrolled as Plan participants on the first day of employment. The Plan is administered by the Township Clerk and Supervisor.

Required annual contributions to the Plan are based on 18% of each employee's annual compensation. The Township contributes 50% of the total required annual contribution and each employee contributes the other 50%. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon entering the Plan.

The Township's payroll covered under the Plan and total payroll for the year ended March 31, 2007 was approximately \$59,400. The Township's required annual contribution to the Plan was \$5,891, which was 9% of the current year covered payroll. Employees' required annual contributions were \$5,888, which was 9% of the current year covered payroll.

Note 11 - Related Parties

Sims Township has an intergovernmental service agreement with AuGres - Sims Police Board and AuGres - Sims Fire Authority. The participating communities provide annual funding for its operations. During the current year, the Township's portion was fulfilled through property taxes of \$79,748 for operations. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Sims Township
Notes to Financial Statements
March 31, 2007

Note 13 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

The Government Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving *receivables* should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

The Government Accounting Standards Board has issued Statement

No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Taxes				
Property taxes	\$ 56,600	\$ 56,600	\$ 54,715	\$ (1,885)
Penalties and interest	7,400	7,400	516	(6,884)
Administration fee	21,000	21,000	33,100	12,100
Licenses and permits	7,500	7,500	7,781	281
State revenue sharing	60,000	60,000	74,219	14,219
State grants	1,500	1,500	6,993	5,493
Charges for services	39,000	39,000	44,504	5,504
Interest income	2,000	2,000	12,382	10,382
Other revenue	<u>2,220</u>	<u>2,220</u>	<u>5,660</u>	<u>3,440</u>
Total revenues	<u>197,220</u>	<u>197,220</u>	<u>239,870</u>	<u>42,650</u>
Expenditures				
General government				
Township board	39,250	39,250	26,842	(12,408)
Supervisor	10,000	10,000	9,387	(613)
Clerk	13,220	13,220	11,216	(2,004)
Audit	4,500	4,500	3,650	(850)
Board of review	1,930	1,930	1,455	(475)
Treasurer	19,470	19,470	17,995	(1,475)
Assessor	34,550	34,550	30,374	(4,176)
Elections	6,800	6,800	4,203	(2,597)
Buildings and grounds	52,800	52,800	10,275	(42,525)
Cemetery	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total general government	<u>188,520</u>	<u>188,520</u>	<u>121,397</u>	<u>(67,123)</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Police	\$ 500	\$ 500	\$ 270	\$ (230)
Building inspection department	12,440	12,440	6,464	(5,976)
Total public safety	<u>12,940</u>	<u>12,940</u>	<u>6,734</u>	<u>(6,206)</u>
Public works				
Drains	1,500	1,500	1,110	(390)
Highways, streets and bridges	85,000	85,000	23,906	(61,094)
Street lighting	4,000	4,000	2,606	(1,394)
Total public works	<u>90,500</u>	<u>90,500</u>	<u>27,622</u>	<u>(62,878)</u>
Community and economic development				
Planning	27,200	27,200	5,588	(21,612)
Zoning	3,440	3,440	1,758	(1,682)
Total community and economic development	<u>30,640</u>	<u>30,640</u>	<u>7,346</u>	<u>(23,294)</u>
Recreation and culture				
Parks and recreation	10,000	10,000	-	(10,000)
Library	3,000	3,000	-	(3,000)
Total recreation and culture	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Other functions	45,000	45,000	-	(45,000)
Transfers out	36,000	36,000	36,000	-
Total expenditures	<u>416,600</u>	<u>416,600</u>	<u>199,099</u>	<u>(217,501)</u>
Excess (deficiency) of revenues over expenditures	(219,380)	(219,380)	40,771	260,151
Fund balance - beginning of year	493,628	493,628	493,628	-
Fund balance - end of year	<u><u>\$ 274,248</u></u>	<u><u>\$ 274,248</u></u>	<u><u>\$ 534,399</u></u>	<u><u>\$ 260,151</u></u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 12,050	\$ 12,050	\$ 12,080	\$ 30
Charges for services	6,800	13,700	15,625	1,925
Interest income	200	50	118	68
Other revenue	30	-	1	1
	<u>19,080</u>	<u>25,800</u>	<u>27,824</u>	<u>2,024</u>
Total revenues				
	<u>19,080</u>	<u>25,800</u>	<u>27,824</u>	<u>2,024</u>
Expenditures				
Current				
Public works	34,828	38,200	37,573	(627)
	<u>34,828</u>	<u>38,200</u>	<u>37,573</u>	<u>(627)</u>
Total expenditures				
	<u>34,828</u>	<u>38,200</u>	<u>37,573</u>	<u>(627)</u>
Excess (deficiency) of revenues over expenditures	(15,748)	(12,400)	(9,749)	2,651
Fund balance - beginning of year	20,267	20,267	20,267	-
	<u>20,267</u>	<u>20,267</u>	<u>20,267</u>	<u>-</u>
Fund balance - end of year	\$ 4,519	\$ 7,867	\$ 10,518	\$ 2,651
	<u>\$ 4,519</u>	<u>\$ 7,867</u>	<u>\$ 10,518</u>	<u>\$ 2,651</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Police
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 85,759	\$ 85,759	\$ 79,748	\$ (6,011)
Licenses and permits	1,000	1,000	-	(1,000)
Interest income	800	800	981	181
 Total revenues	<u>87,559</u>	<u>87,559</u>	<u>80,729</u>	<u>(6,830)</u>
 Expenditures				
Current				
Public safety	79,300	79,300	78,781	(519)
 Total expenditures	<u>79,300</u>	<u>79,300</u>	<u>78,781</u>	<u>(519)</u>
 Excess (deficiency) of revenues over expenditures	8,259	8,259	1,948	(6,311)
 Fund balance - beginning of year	-	-	121,244	121,244
 Fund balance - end of year	<u>\$ 8,259</u>	<u>\$ 8,259</u>	<u>\$ 123,192</u>	<u>\$ 114,933</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Transfer Station
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Local contributions	\$ 36,000	\$ 36,000	\$ 36,000	\$ -
Interest income	25	25	98	73
Other revenue	100	200	1,014	814
Transfers in	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Total revenues	<u>72,125</u>	<u>72,225</u>	<u>73,112</u>	<u>887</u>
Expenditures				
Current				
Public works	<u>73,928</u>	<u>68,250</u>	<u>65,715</u>	<u>(2,535)</u>
Total expenditures	<u>73,928</u>	<u>68,250</u>	<u>65,715</u>	<u>(2,535)</u>
Excess (deficiency) of revenues over expenditures	(1,803)	3,975	7,397	3,422
Fund balance - beginning of year	<u>46,268</u>	<u>46,268</u>	<u>46,268</u>	<u>-</u>
Fund balance - end of year	<u>\$ 44,465</u>	<u>\$ 50,243</u>	<u>\$ 53,665</u>	<u>\$ 3,422</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Mosquito
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 77,760	\$ 77,760	\$ 70,633	\$ (7,127)
Interest income	100	100	287	187
Other revenue	-	-	2,642	2,642
	<u>77,860</u>	<u>77,860</u>	<u>73,562</u>	<u>(4,298)</u>
Total revenues				
Expenditures				
Current				
Public works	<u>69,240</u>	<u>69,240</u>	<u>48,922</u>	<u>(20,318)</u>
	<u>69,240</u>	<u>69,240</u>	<u>48,922</u>	<u>(20,318)</u>
Total expenditures				
Excess of revenues over expenditures	8,620	8,620	24,640	16,020
Fund balance - beginning of year	<u>92,034</u>	<u>92,034</u>	<u>92,034</u>	<u>-</u>
Fund balance - end of year	<u>\$ 100,654</u>	<u>\$ 100,654</u>	<u>\$ 116,674</u>	<u>\$ 16,020</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Gypsy Moth
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,797</u>	<u>\$ 797</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,797</u>	<u>797</u>
Expenditures				
Current				
Public works	<u>300</u>	<u>300</u>	<u>100</u>	<u>(200)</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>100</u>	<u>(200)</u>
Excess of revenues over expenditures	1,700	1,700	2,697	997
Fund balance - beginning of year	<u>70,440</u>	<u>70,440</u>	<u>70,440</u>	<u>-</u>
Fund balance - end of year	<u>\$ 72,140</u>	<u>\$ 72,140</u>	<u>\$ 73,137</u>	<u>\$ 997</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 68,849	\$ 68,849
Expenditures				
Current				
Public safety	-	-	68,849	68,849
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Sims Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2008	\$ 13,920	\$ 14,460	\$ 28,380
1987 Water line	5.00%	2009	14,400	13,752	28,152
Amount of issue - \$557,280	5.00%	2010	14,880	13,020	27,900
	5.00%	2011	15,840	12,252	28,092
	5.00%	2012	16,800	11,436	28,236
	5.00%	2013	17,760	10,572	28,332
	5.00%	2014	18,240	9,672	27,912
	5.00%	2015	19,200	8,736	27,936
	5.00%	2016	20,160	7,752	27,912
	5.00%	2017	21,120	6,720	27,840
	5.00%	2018	22,560	5,628	28,188
	5.00%	2019	23,520	4,476	27,996
	5.00%	2020	24,480	3,276	27,756
	5.00%	2021	25,920	2,016	27,936
	5.00%	2022	27,360	684	28,044
			<u>\$ 296,160</u>	<u>\$ 124,452</u>	<u>\$ 420,612</u>

Sims Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2008	\$ 20,368	\$ 13,456	\$ 33,824
Contract payable	5.00%	2009	20,368	12,590	32,958
1999A water system	5.00%	2010	20,368	11,704	32,072
Amount of issue - \$ 414,998	5.00%	2011	20,368	10,798	31,166
	5.00%	2012	20,368	9,871	30,239
	5.00%	2013	22,914	8,864	31,778
	5.00%	2014	25,460	7,714	33,174
	5.00%	2015	25,460	6,480	31,940
	5.00%	2016	25,460	5,219	30,679
	5.00%	2017	30,554	3,819	34,373
	5.00%	2018	30,552	2,291	32,843
	5.00%	2019	30,552	764	31,316
			<u>\$ 292,792</u>	<u>\$ 93,570</u>	<u>\$ 386,362</u>
Water Fund	5.10%	2008	\$ 120,000	\$ 82,952	\$ 202,952
Contract payable	5.20%	2009	120,000	76,772	196,772
1999B water system	5.30%	2010	120,000	70,472	190,472
Amount of issue - \$ 2,265,000	5.40%	2011	120,000	64,052	184,052
	5.50%	2012	120,000	57,512	177,512
	5.60%	2013	120,000	50,853	170,853
	5.70%	2014	120,000	44,073	164,073
	5.75%	2015	120,000	37,202	157,202
	5.80%	2016	115,000	30,417	145,417
	5.85%	2017	115,000	23,719	138,719
	5.90%	2018	115,000	16,963	131,963
	5.90%	2019	115,000	10,178	125,178
	5.90%	2020	115,000	3,393	118,393
			<u>\$ 1,535,000</u>	<u>\$ 568,558</u>	<u>\$ 2,103,558</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Sims Township
Au Gres, Michigan

We have audited the financial statements of the governmental activities, business-type activities and each major fund of Sims Township as of and for the year ended March 31, 2007, which collectively comprise Sims Township's basic financial statements and have issued our report thereon dated July 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sims Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sims Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting as for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sims Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Sims Township, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

July 6, 2007
Saginaw, Michigan