

# 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 Baroda Township	County Berrien
Fiscal Year End March 31, 2007	Opinion Date July 13, 2007	Date Audit Report Submitted to State August 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan

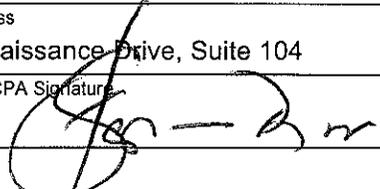
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

**SM 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 checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barnes & Ross, CPA, PC			Telephone Number 269-983-2851	
Street Address 500 Renaissance Drive, Suite 104			City St. Joseph	State MI
			Zip 49085	
Authorizing CPA Signature 		Printed Name Stephen Ross, CPA		License Number 14753

BARODA TOWNSHIP  
BERRIEN COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
MARCH 31, 2007

BARODA TOWNSHIP  
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## INDEPENDENT AUDITORS' REPORT

Members of the Baroda Township Board  
Baroda, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Baroda 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.

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Baroda 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.

The management's discussion and analysis, and budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but is supplemental 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 methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

  
BARNES & ROSS

July 13, 2007

BARODA TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis is intended as a narrative overview of Baroda Township's (the Township) operations over the fiscal year and its financial condition on March 31, 2007.

FINANCIAL HIGHLIGHTS

The Township's total net assets decreased \$8 thousand (.3%) as a result of this year's operations. Net assets of the governmental activities decreased \$6 thousand (.6%), and net assets of the business-type activities decreased \$3 thousand (.9%).

Of the \$2.7 million total net assets reported, \$1.6 million are available to be used to meet future operating and capital improvement needs.

The General Fund unreserved undesignated fund balance at the end of the fiscal year was \$543 thousand, which represents 133% of the actual total General Fund expenditures for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the Township's basic financial statements that follow this section. The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplemental information. The basic financial statements include two types of statements that present different views of the Township:

- . The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- . The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

## BARODA TOWNSHIP

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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#### Government-Wide Financial Statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health, or position.

- . Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating.
- . To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base.

The government-wide financial statements are divided into two categories:

1. Governmental Activities - These activities include functions most commonly associated with government (e.g., general government, public works, public safety, etc.). Property taxes and intergovernmental revenues generally fund these services.
2. Business-Type Activities - These activities provide services that are funded by customer user fees, such as water supply services.

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- . Some funds are required by State law and by bond agreements.
- . The Township Board establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain taxes and other revenues.

The Township has two types of funds:

1. Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information after the governmental funds statements that explains the relationship between them.
2. Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long and short-term financial information.

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets - Total net assets at the end of the fiscal year were \$2.7 million, no change from the prior year. However, \$1.1 million of this total is invested in capital assets. Consequently, unrestricted net assets were \$1.6 million, 61% of the total.

CONDENSED FINANCIAL INFORMATION  
NET ASSETS  
(in thousands)

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
Current assets	\$1,490	\$105	\$1,595	\$1,673
Non-current assets	<u>853</u>	<u>236</u>	<u>1,089</u>	<u>1,036</u>
Total assets	<u>2,343</u>	<u>341</u>	<u>2,684</u>	<u>2,709</u>
Current liabilities	21	-	21	13
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total liabilities	<u>21</u>	<u>-</u>	<u>21</u>	<u>38</u>
Net assets:				
Invested in capital assets	853	236	1,089	1,011
Unrestricted	<u>1,469</u>	<u>105</u>	<u>1,574</u>	<u>1,660</u>
Total net assets	<u>\$2,322</u>	<u>\$341</u>	<u>\$2,663</u>	<u>\$2,671</u>

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Changes in Net Assets - The Township's total revenues are \$856 thousand. Approximately 67% of the Township's revenues come from property taxes, 17% is received as state revenue sharing, and about 4% of total revenues come from charges for services.

CONDENSED FINANCIAL INFORMATION  
CHANGES IN NET ASSETS  
(in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>	
			2007	2006
Revenues:				
Program revenues:				
Charges for services	\$ 38	\$14	\$ 52	\$ 50
Contributions	12	-	12	15
General revenues:				
Taxes	565	-	565	538
State grants	147	-	147	151
Investment income	63	-	63	41
Other	<u>13</u>	<u>4</u>	<u>17</u>	<u>17</u>
Total revenues	<u>838</u>	<u>18</u>	<u>856</u>	<u>812</u>
Expenses:				
Legislative	50	-	50	46
General government	193	-	193	186
Public safety	318	-	318	281
Public works	243	21	264	235
Recreational and cultural	<u>39</u>	<u>-</u>	<u>39</u>	<u>34</u>
Total expenses	<u>843</u>	<u>21</u>	<u>864</u>	<u>782</u>
Increase (decrease) in net assets	<u>\$ (5)</u>	<u>\$(3)</u>	<u>\$( 8)</u>	<u>\$ 30</u>

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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Governmental Activities:

Governmental activities decreased the Township's net assets by \$5 thousand. Key factors for this decrease include the excess of net cost of services over the property taxes and intergovernmental revenues. Revenues totaled \$838 thousand while the cost of all governmental activities this year was \$843 thousand.

Business-Type Activities:

Business-type activities decreased the Township's net assets by \$3 thousand. The cost of water services for the year ended March 31, 2007 totaled \$21 thousand, including interest expense of \$2 thousand. Fees for these services totaled \$14 thousand. The Township levies an annual tax for the purpose of paying principal and interest for outstanding water bonds payable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Our analysis of the Township's major funds begins on page 14 following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Police Fund, Fire Maintenance Fund, Fire Equipment Fund, and Garbage and Rubbish Fund.

The Police Fund had an increase of \$9 thousand in its fund balance for the year.

The Fire Maintenance Fund had a decrease of \$37 thousand in its fund balance for the year. This was in part due to an increase in expected expenditures for the year.

The Fire Equipment Fund decreased its fund balance by \$16 thousand.

The Garbage and Rubbish Fund experienced a decrease of \$14 thousand in its fund balance due to an increase in expenditures.

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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GENERAL FUND BUDGETARY HIGHLIGHTS

The Township amended the General Fund budget, primarily to prevent budget overruns. No amendments were significant, individually or in total.

Revenues, principally interest and rent, were \$11 thousand more than budgeted amounts. General Fund expenditures were also \$125 thousand less than appropriated, which resulted in an \$85 thousand decrease in fund balance, instead of the expected decrease of \$221 thousand. There were several insignificant negative budget variances for individual General Fund activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At March 31, 2007, the Township had invested \$1.1 million in various capital assets, net of depreciation, including its land, buildings, equipment, water and wastewater systems. This amount represents an increase of \$68 thousand over the prior year.

This year's capital asset additions included \$124 thousand in additions to the building improvements and various equipment needs.

Detailed information about the Township's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt:

At year end, the Township had no outstanding bonds payable in its business-type activities as the final installment was paid in February, 2007. Detailed information about the Township's long-term liabilities is presented in Note 7 to the financial statements.

BARODA TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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ECONOMIC CONDITION AND OUTLOOK

Approximately \$540 thousand is available for appropriation into the General Fund budget. This amount is in addition to our yearly revenue. Small increases in property taxes from increased assessed values are expected to be somewhat offset by decreases in state revenue sharing. The taxable value of all properties in Baroda Township at the end of 2007 was \$77,126,727. Overall revenues are expected to increase slightly in 2008.

The Township is considering several projects for 2007 and 2008. They are in no particular order.

- . Developing the additional 17 acres at Hess Lake Park.
- . Upgrading the playground surfaces and equipment at Hess Lake Park.
- . Investigate Columbariums for Ruggles Cemetery.
- . Build a new Police Station on land owned by Baroda Township (Project to be paid for by Lake Township).
- . Change the funding method for rubbish pickup.
- . Build a new 2nd pavilion at Hess Lake Park.
- . Connect part of Baroda Township to a nearby municipal sewer system.

None of these projects have been finalized yet and will not proceed without being budgeted. Our main projected cost increases will be for health insurance, fire and police vehicle insurance, Hess Lake Park improvements, building insurance and gas prices.

BARODA TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED

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CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Baroda Township's finances to its residents and creditors, and to demonstrate the Township's accountability for the money it receives. Any questions regarding this report should be addressed to The Township of Baroda, Supervisor's Office, P.O. Box 215, Baroda, Michigan 49101, Phone (269) 422-2300, e-mail BarodaTWPClerk@Parrett.Net.

BARODA TOWNSHIP  
 GOVERNMENT-WIDE  
 STATEMENT OF NET ASSETS  
 YEAR ENDED MARCH 31, 2007

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$1,402,770	\$ 94,376	\$1,497,146	\$ 7,827
Receivables	23,296	-	23,296	844
Taxes receivable	37,789	-	37,789	-
Special assessment receivable	-	8,789	8,789	-
Internal balances	(1,857)	1,857	-	-
Due from component unit	868	-	868	-
Due from other units of government	<u>27,425</u>	<u>-</u>	<u>27,425</u>	<u>-</u>
<b>Total current assets</b>	<b>1,490,291</b>	<b>105,022</b>	<b>1,595,313</b>	<b>8,671</b>
<b>Non-current assets:</b>				
Capital assets, net	<u>852,580</u>	<u>235,872</u>	<u>1,088,452</u>	<u>78,921</u>
<b>Total assets</b>	<b><u>2,342,871</u></b>	<b><u>340,894</u></b>	<b><u>2,683,765</u></b>	<b><u>87,592</u></b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	19,759	-	19,759	16,411
Due to primary government	-	-	-	868
Due to other units of government	1,257	-	1,257	-
<b>Non-current liabilities:</b>				
Due within one year	-	-	-	15,860
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,972</u>
<b>Total liabilities</b>	<b><u>21,016</u></b>	<b><u>-</u></b>	<b><u>21,016</u></b>	<b><u>68,111</u></b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	852,580	235,872	1,088,452	28,089
Restricted	-	-	-	1,493
Unrestricted	<u>1,469,275</u>	<u>105,022</u>	<u>1,574,297</u>	<u>(10,101)</u>
<b>Total net assets</b>	<b><u>\$2,321,855</u></b>	<b><u>\$340,894</u></b>	<b><u>\$2,662,749</u></b>	<b><u>\$19,481</u></b>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 GOVERNMENT-WIDE  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED MARCH 31, 2007

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Legislative	\$ 49,548	\$ -	\$ -
General government	192,992	13,370	5,688
Public safety	318,184	24,269	-
Public works	243,462	-	6,554
Recreational and cultural	<u>39,119</u>	<u>-</u>	<u>-</u>
Total	843,305	37,639	12,242
Business-type activities:			
Water	<u>20,877</u>	<u>13,283</u>	<u>-</u>
Total primary government	864,182	50,922	12,242
Component unit:			
Joint police	<u>366,825</u>	<u>536</u>	<u>312,499</u>
Total activities	<u>\$1,231,007</u>	<u>\$51,458</u>	<u>\$324,741</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Miscellaneous			
Total general revenues			
Change in net assets			
Net assets - beginning of year			
Net assets - end of year			

The notes to the financial statements are an integral part of this statement.

<u>Net (Expenses) Revenues and Change in Net Assets</u>			
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
\$ (49,548)	\$ -	\$ (49,548)	\$ -
(173,934)	-	(173,934)	-
(293,915)	-	(293,915)	-
(236,908)	-	(236,908)	-
<u>(39,119)</u>	<u>-</u>	<u>(39,119)</u>	<u>-</u>
(793,424)	-	(793,424)	-
<u>-</u>	<u>(7,594)</u>	<u>(7,594)</u>	<u>-</u>
(793,424)	(7,594)	(801,018)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,790)</u>
<u>(793,424)</u>	<u>(7,594)</u>	<u>(801,018)</u>	<u>(53,790)</u>
564,801	-	564,801	-
147,230	-	147,230	-
62,778	4,401	67,179	905
<u>12,844</u>	<u>-</u>	<u>12,844</u>	<u>7,659</u>
<u>787,653</u>	<u>4,401</u>	<u>792,054</u>	<u>8,564</u>
(5,771)	(3,193)	(8,964)	(45,226)
<u>2,327,626</u>	<u>344,087</u>	<u>2,671,713</u>	<u>64,707</u>
<u>\$2,321,855</u>	<u>\$340,894</u>	<u>\$2,662,749</u>	<u>\$19,481</u>

BARODA TOWNSHIP  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2007

	<u>General</u>	<u>Police</u>	<u>Fire Maintenance</u>	<u>Fire Equipment</u>
ASSETS				
Cash and cash equivalents	\$ 923,418	\$ -	\$269,412	\$204,764
Receivables	23,296	-	-	-
Taxes receivable	37,789	-	-	-
Due from other funds	-	203,349	7,227	4,782
Due from component unit	-	-	-	-
Due from other units of government	27,425	-	-	-
Total assets	<u>\$1,011,928</u>	<u>\$203,349</u>	<u>\$276,639</u>	<u>\$209,546</u>
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 11,803	\$ -	\$ 4,186	\$ -
Due to other funds	418,666	-	-	-
Due to other units of government	1,257	-	-	-
Deferred revenues	2,521	-	-	-
Total liabilities	<u>434,247</u>	<u>-</u>	<u>4,186</u>	<u>-</u>
Fund balances:				
Reserved	35,004	-	-	-
Unreserved:				
Designated for working capital	542,677	-	-	-
Reported in Special Revenue Funds	-	203,349	272,453	209,546
Total fund balances	<u>577,681</u>	<u>203,349</u>	<u>272,453</u>	<u>209,546</u>
Total liabilities and fund balances	<u>\$1,011,928</u>	<u>\$203,349</u>	<u>\$276,639</u>	<u>\$209,546</u>

The notes to the financial statements are an integral part of this statement.

<u>Garbage and Rubbish</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$5,176	\$1,402,770
-	-	23,296
-	-	37,789
198,178	3,273	416,809
-	868	868
<u>-</u>	<u>-</u>	<u>27,425</u>
<u>\$198,178</u>	<u>\$9,317</u>	<u>\$1,908,957</u>
\$ -	\$3,770	\$ 19,759
-	-	418,666
-	-	1,257
<u>-</u>	<u>-</u>	<u>2,521</u>
<u>-</u>	<u>3,770</u>	<u>442,203</u>
-	-	35,004
-	-	542,677
<u>198,178</u>	<u>5,547</u>	<u>889,073</u>
<u>198,178</u>	<u>5,547</u>	<u>1,466,754</u>
<u>\$198,178</u>	<u>\$9,317</u>	<u>\$1,908,957</u>

BARODA TOWNSHIP  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

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Fund balance of the Governmental Funds	\$1,466,754
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and are not reported in the funds	852,580
Revenues in the Statement of Activities that do not provide for current financial resources and are not reported as revenues in the funds	<u>2,521</u>
Net assets of Governmental Activities	<u><u>\$2,321,855</u></u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Police</u>	<u>Fire Maintenance</u>	<u>Fire Equipment</u>
Revenues:				
Taxes and penalties	\$ 89,205	\$146,063	\$110,375	\$ 73,028
State grants	147,230	-	-	-
Licenses and permits	7,733	-	-	-
Fines and forfeitures	655	-	-	-
Charges for services and sales	13,370	-	-	-
Interest and rentals	49,253	-	3,978	9,252
Contributions from local units	12,242	-	-	-
Other revenues	<u>2,705</u>	<u>-</u>	<u>40</u>	<u>-</u>
Total revenues	<u>322,393</u>	<u>146,063</u>	<u>114,393</u>	<u>82,280</u>
Expenditures:				
Current:				
Legislative	49,548	-	-	-
General government	177,387	-	-	-
Public safety	42,167	136,975	76,982	940
Public works	82,371	-	-	-
Recreational and cultural	39,119	-	-	-
Capital outlay	<u>17,065</u>	<u>-</u>	<u>-</u>	<u>96,993</u>
Total expenditures	<u>407,657</u>	<u>136,975</u>	<u>76,982</u>	<u>97,933</u>
Net change in fund balances	(85,264)	9,088	37,411	(15,653)
Fund balances - beginning of year	<u>662,945</u>	<u>194,261</u>	<u>235,042</u>	<u>225,199</u>
Fund balances - end of year	<u>\$577,681</u>	<u>\$203,349</u>	<u>\$272,453</u>	<u>\$209,546</u>

The notes to the financial statements are an integral part of this statement.

<u>Garbage and Rubbish</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$147,174	\$ -	\$ 565,845
-	-	147,230
-	16,536	24,269
-	9,444	10,099
-	-	13,370
-	295	62,778
-	-	12,242
-	-	2,745
<u>147,174</u>	<u>26,275</u>	<u>838,578</u>
-	-	49,548
-	-	177,387
-	21,986	279,050
161,091	-	243,462
-	-	39,119
-	9,161	123,219
<u>161,091</u>	<u>31,147</u>	<u>911,785</u>
(13,917)	(4,872)	(73,207)
<u>212,095</u>	<u>10,419</u>	<u>1,539,961</u>
<u>\$198,178</u>	<u>\$ 5,547</u>	<u>\$1,466,754</u>

BARODA TOWNSHIP  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

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Net change in fund balances - Total Governmental Funds	\$(73,207)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which capital outlays exceeded depreciation in the current period	68,480
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	<u>(1,044)</u>
Change in net assets of Governmental Activities	<u><u>\$ (5,771)</u></u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 PROPRIETARY FUND  
 STATEMENT OF NET ASSETS  
 MARCH 31, 2007

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	<u>Water Operating</u>
Assets:	
Current assets:	
Cash	\$ 94,376
Special assessment receivable	8,789
Due from other funds	<u>1,857</u>
Total current assets	105,022
Non-current assets:	
Capital assets	<u>235,872</u>
Total assets	<u>340,894</u>
Liabilities	<u>-</u>
Net assets:	
Invested in capital assets, net of related debt	235,872
Unrestricted	<u>105,022</u>
Total net assets	<u><u>\$340,894</u></u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 YEAR ENDED MARCH 31, 2007

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	<u>Water Operating</u>
Operating revenues:	
Charges for services	<u>\$ 13,283</u>
Operating expenses:	
Administration	2,766
Depreciation	<u>15,921</u>
Total operating expenses	<u>18,687</u>
Operating loss	<u>(5,404)</u>
Non-operating revenues (expenses):	
Interest income	4,401
Interest and fiscal charges	<u>(2,190)</u>
Total non-operating revenues (expenses)	<u>2,211</u>
Change in net assets	(3,193)
Net assets - beginning of year	<u>344,087</u>
Net assets - end of year	<u><u>\$340,894</u></u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED MARCH 31, 2007

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	<u>Water Operating</u>
Cash flows from operating activities:	
Receipts from customers	\$14,939
Payments to suppliers	<u>(2,766)</u>
Net cash provided by operating activities	<u>12,173</u>
Cash flows from capital and related financing activities:	
Principal and interest paid on capital debt	(28,189)
Collection of special assessments (principal and interest)	1,212
Payment from General Fund	<u>33,281</u>
Net cash provided by capital and related financing activities	<u>6,304</u>
Cash flows from investing activities:	
Interest on investments	<u>4,098</u>
Net increase in cash and cash equivalents	22,575
Cash and cash equivalents - beginning of year	<u>71,801</u>
Cash and cash equivalents - end of year	<u>\$94,376</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$(5,404)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	15,921
Changes in assets and liabilities:	
Decrease in receivables	<u>1,656</u>
Net cash provided by operating activities	<u>\$12,173</u>

During the year ended March 31, 2007, there were no non-cash investing, capital and financing activities.

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 COMPONENT UNIT  
 STATEMENT OF NET ASSETS  
 MARCH 31, 2007

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	<u>Joint Police</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 7,827
Receivables	844
Capital assets, net	<u>78,921</u>
Total assets	<u>87,592</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	10,121
Due to primary government	868
Compensated absences payable	6,290
Non-current liabilities:	
Due within one year	15,860
Due in more than one year	<u>34,972</u>
Total liabilities	<u>68,111</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	28,089
Restricted	1,493
Unrestricted	<u>(10,101)</u>
Total net assets	<u>\$19,481</u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP  
 COMPONENT UNIT  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED MARCH 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Assets Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Joint Police</u>
Public safety	\$366,825	\$536	\$312,499	\$(53,790)
Total activities	<u>\$366,825</u>	<u>\$536</u>	<u>\$312,499</u>	<u>(53,790)</u>
General revenues:				
Interest income				905
Miscellaneous				<u>7,659</u>
Total general revenues				<u>8,564</u>
Change in net assets				(45,226)
Net assets - beginning of year				<u>64,707</u>
Net assets - end of year				<u>\$ 19,481</u>

The notes to the financial statements are an integral part of this statement.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Township of Baroda, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Baroda.

A. REPORTING ENTITY.

The Township is governed by an elected five member board. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Unit

Financial data of the component unit is included in the component unit column in the basic financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township.

The Baroda and Lake Township Police Department was created to provide protection to the residents. The authority is operated by a joint administrative board created by the Townships of Baroda and Lake and the Village of Baroda pursuant to Act 33 of the Public Acts of Michigan of 1951, as amended. The joint administrative board agreed that Baroda Township should handle the treasury and accounting functions for the authority. The budget for the authority is approved by the joint board.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

B. 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental 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 segment 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 revenue.

Separate financial statements are provided for Governmental Funds and Proprietary Funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

C. 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 financial statements. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major sources of revenue meet the availability criterion: property taxes, state-shared revenues, and interest earned in the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

The Township reports the following major Governmental Funds:

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

Police Fund - The Police Fund accounts for the resources collected that are to be used for protection in the Township.

Fire Maintenance Fund - The Fire Maintenance Fund accounts for the resources to be used for maintenance of fire protection equipment.

Fire Equipment Fund - The Fire Equipment Fund accounts for the resources to be used for the purchase of fire equipment.

Garbage and Rubbish Fund - The Garbage and Rubbish Fund accounts for the activities of the garbage collection system.

The Township reports the following major Proprietary Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to (to also) follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Proprietary Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY.

Bank Deposits and Investments - For purposes of the cash flow statement, 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.

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 arrangements 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".

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$500 (\$10,000 for infrastructure assets) 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2005. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building improvements	15 to 30 years
Water system	33 years
Vehicles	3 to 15 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations - In the government-wide financial statements and the 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, business-type activities, or proprietary fund type statement of net assets.

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/Reclassifications - Comparative data is not included in the Township's financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

A. BUDGETARY INFORMATION.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

At the March meeting, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are conducted at the Township Hall to obtain taxpayer comments. Prior to March 31, the budget is legally enacted on a summary budget basis through passage of a resolution. During the year, the budget was amended in a legally permissible manner.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund:		
Supervisor	\$ 32,525	\$ 33,903
Elections	4,325	4,478
Assessor	17,450	17,751
Clerk	35,245	37,130
Treasurer	27,095	27,683
Municipal Building	21,550	25,172
Cemetery	39,300	42,366
Public Safety:		
Zoning Administration	6,000	6,383
Public Works	71,138	82,371
Fire Equipment	59,800	97,933
Garbage and Rubbish	152,900	161,091

C. NET ASSET DEFICIT.

The Township's component unit shows a net asset deficit for the unrestricted fund balance at the government-wide level at March 31, 2007.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 3. DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit 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 direct 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 its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township of Baroda has designated three banks for the deposit of the Township's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in instruments authorized by Public Act 20.

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

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash	\$1,108,023	\$94,376	\$1,202,399	\$7,827
Certificates of deposit	<u>294,747</u>	<u>-</u>	<u>294,747</u>	<u>-</u>
Total cash and cash equivalents	<u>\$1,402,770</u>	<u>\$94,376</u>	<u>\$1,497,146</u>	<u>\$7,827</u>

The Township had no investments at March 31, 2007.

The bank balance of the primary government's deposits is \$1,654,629 of which \$257,357 is covered by federal depository insurance. The component unit's deposits had a bank balance of \$10,887 of which the total balance was covered by federal depository insurance.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 4. RECEIVABLES.

Receivables as of year-end for the Township's individual major funds and component unit in the aggregate are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Component Unit Joint Police</u>
Taxes receivable	\$37,789	\$ -	\$37,789	\$ -
Accounts receivable	23,296	-	23,296	844
Special assessments	-	8,789	8,789	-
Intergovernmental	<u>27,425</u>	<u>-</u>	<u>27,425</u>	<u>-</u>
Net receivables	<u>\$88,510</u>	<u>\$8,789</u>	<u>\$97,299</u>	<u>\$ 844</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is 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 year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent property taxes	<u>\$2,521</u>

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 5. CAPITAL ASSETS.

Capital asset activity of the Primary Government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 29,861	\$ -	\$ -	\$ 29,861
Capital assets being depreciated:				
Buildings	519,477	-	-	519,477
Improvements other than buildings	71,376	13,626	-	85,002
Machinery and equipment	<u>986,752</u>	<u>109,593</u>	<u>-</u>	<u>1,096,345</u>
Subtotal	<u>1,577,605</u>	<u>123,219</u>	<u>-</u>	<u>1,700,824</u>
Less, accumulated depreciation for:				
Buildings	254,540	8,471	-	263,011
Improvements other than buildings	36,552	4,429	-	40,981
Machinery and equipment	<u>532,274</u>	<u>41,839</u>	<u>-</u>	<u>574,113</u>
Subtotal	<u>823,366</u>	<u>54,739</u>	<u>-</u>	<u>878,105</u>
Governmental activities capital total assets - net of depreciation	<u>\$ 784,100</u>	<u>\$ 68,480</u>	<u>\$ -</u>	<u>\$ 852,580</u>
<u>Business-Type Activities</u>				
Capital assets being depreciated:				
Water system	\$ 530,186	\$ -	\$ -	\$ 530,186
Less, accumulated depreciation for:				
Water system	<u>278,392</u>	<u>15,922</u>	<u>-</u>	<u>294,314</u>
Business-type activities capital total assets - net of depreciation	<u>\$ 251,794</u>	<u>\$ 15,922</u>	<u>\$ -</u>	<u>\$ 235,872</u>

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 5. CAPITAL ASSETS - CONCLUDED.

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Vehicles and equipment	\$ 270,183	\$ 28,103	\$(57,526)	\$ 240,760
Less, accumulated depreciation for:				
Vehicles and equipment	<u>183,823</u>	<u>24,849</u>	<u>(46,833)</u>	<u>161,839</u>
Component unit capital total assets - net of depreciation	<u>\$ 86,360</u>	<u>\$ 3,254</u>	<u>\$(10,693)</u>	<u>\$ 78,921</u>

Depreciation expense was charged to programs of the Primary Government as follows:

Governmental Activities:	
General government	\$15,605
Public safety	<u>39,134</u>
Total governmental activities	<u>\$54,739</u>
Business-Type Activities:	
Water	<u>\$15,921</u>
Component Unit:	
Joint police	<u>\$24,849</u>

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances is as follows:

<u>Receivables</u>	<u>Payables</u>	<u>Amount</u>
Water Fund	General Fund	\$ 1,857
Fire Equipment Fund	General Fund	4,782
Garbage and Rubbish Fund	General Fund	198,178
Police Fund	General Fund	203,349
Fire Maintenance Fund	General Fund	7,227
Building Inspection Fund	General Fund	<u>3,273</u>
		<u>\$418,666</u>

<u>Receivables</u>	<u>Payables</u>	<u>Amount</u>
Due to/from Primary Government and Component Unit:		
Primary Government - Drug Law Enforcement Fund	Component Unit - Joint Police	<u>\$ 868</u>

There were no interfund transfers during the year.

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
MARCH 31, 2007

Note 7. LONG-TERM DEBT.

Included in the business-type activities are water supply system bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government unit. As of March 31, 2007, all obligation bonds for the water supply system were retired. Included in the component unit is a note for the purchase of police vehicles under an installment contract.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:					
General obligation bonds:					
Amount of issue \$395,000, maturing 2007	9.00%	<u>\$25,000</u>	<u>\$ -</u>	<u>\$25,000</u>	<u>\$ -</u>
Component Unit:					
Installment purchase agreement:					
Amount of issue \$44,870, maturing 2009	6.65%	\$44,870	\$ -	\$12,323	\$32,547
Installment purchase agreement:					
Amount of issue \$25,220, maturing May, 2009	6.75%	<u>-</u>	<u>25,220</u>	<u>6,935</u>	<u>18,285</u>
Total due		<u>\$44,870</u>	<u>\$25,220</u>	<u>\$19,258</u>	<u>\$50,832</u>

Annual debt service requirements to maturity for the above bonds and installment purchase obligations are as follows:

<u>Year Ended March 31,</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$15,860	\$3,399	\$19,259
2009	16,920	2,338	19,258
2010	<u>18,052</u>	<u>1,207</u>	<u>19,259</u>
Total	<u>\$50,832</u>	<u>\$6,944</u>	<u>\$57,776</u>

BARODA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - CONCLUDED  
MARCH 31, 2007

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Note 8. RISK MANAGEMENT.

The Township 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 Township has purchased commercial insurance for these claims and participates in the Michigan Township Participating Plan risk pool for claims relating to buildings, equipment, vehicles, and several liabilities. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9. RETIREMENT PLAN.

The Township adopted a defined contribution pension plan effective July 1, 1992 for employees and officials in lieu of social security. Employees who elect this plan contribute 6% of their gross earnings to the plan, which is matched by the Township. The plan is deposited with Traveler's Insurance Co., and administered by J.W. Ryan.

The Township's pension cost for fiscal year March 31, 2007 was \$3,548.

BARODA TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget <u>Over (Under)</u>
Fund balance adjusted - beginning of year	\$662,945	\$662,945	\$662,945	\$ -
Resources (inflows):				
Property taxes	110,075	110,075	89,205	(20,870)
State grants	149,000	149,000	147,230	(1,770)
Licenses and permits	7,200	7,200	7,733	533
Fines and forfeitures	700	700	655	(45)
Charges for services	10,500	10,500	13,370	2,870
Interest and rentals	22,200	22,200	49,253	27,053
Contributions from local units	9,000	9,000	12,242	3,242
Other miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>2,705</u>	<u>(295)</u>
Amounts available for appropriation	<u>974,620</u>	<u>974,620</u>	<u>985,338</u>	<u>10,718</u>
Charges to appropriations (outflows):				
Legislative	56,951	56,951	49,548	(7,403)
General government:				
Supervisor	32,525	32,525	33,903	1,378
Elections	4,325	4,325	4,478	153
Assessor	17,450	17,450	17,751	301
Clerk	35,245	35,245	37,130	1,885
Board of Review	3,050	3,050	1,664	(1,386)
Treasurer	27,095	27,095	27,683	588
Township Hall	11,975	11,975	4,305	(7,670)
Municipal Building	21,550	21,550	25,172	3,622
Cemetery	30,300	39,300	42,366	3,066
Public safety:				
Fire protection	7,600	7,600	7,600	-
Planning Commission	22,420	26,420	20,976	(5,444)
Board of Appeals	1,250	7,250	7,208	(42)
Zoning Administration	6,000	6,000	6,383	383
Public works	8,425	71,138	82,371	11,233
Recreational and cultural:				
Park	35,825	135,825	10,319	(125,506)
Library service	<u>28,800</u>	<u>28,800</u>	<u>28,800</u>	<u>-</u>
Total charges to appropriations	<u>350,786</u>	<u>532,499</u>	<u>407,657</u>	<u>(124,842)</u>
Fund balance - end of year	<u>\$623,834</u>	<u>\$442,121</u>	<u>\$577,681</u>	<u>\$135,560</u>

BARODA TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - POLICE FUND  
 YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Over (Under)</u>
Fund balance - beginning of year	\$194,261	\$194,261	\$194,261	\$ -
Resources (inflows):				
Property taxes	<u>135,000</u>	<u>135,000</u>	<u>146,063</u>	<u>11,063</u>
Amounts available for appropriation	<u>329,261</u>	<u>329,261</u>	<u>340,324</u>	<u>11,063</u>
Charges to appropriations (outflows):				
Public safety	<u>139,075</u>	<u>139,075</u>	<u>136,975</u>	<u>(2,100)</u>
Total charges to appropriations	<u>139,075</u>	<u>139,075</u>	<u>136,975</u>	<u>(2,100)</u>
Fund balance - end of year	<u>\$190,186</u>	<u>\$190,186</u>	<u>\$203,349</u>	<u>\$13,163</u>

BARODA TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - FIRE MAINTENANCE FUND  
 YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Over (Under)</u>
Fund balance - beginning of year	\$235,042	\$235,042	\$235,042	\$ -
Resources (inflows):				
Property taxes	100,000	100,000	110,375	10,375
Interest and rentals	2,000	2,000	3,978	1,978
Other miscellaneous	<u>100</u>	<u>100</u>	<u>40</u>	<u>(60)</u>
Amounts available for appropriation	<u>337,142</u>	<u>337,142</u>	<u>349,435</u>	<u>12,293</u>
Charges to appropriations (outflows):				
Public safety	<u>96,231</u>	<u>96,231</u>	<u>76,982</u>	<u>(19,249)</u>
Total charges to appropriations	<u>96,231</u>	<u>96,231</u>	<u>76,982</u>	<u>(19,249)</u>
Fund balance - end of year	<u>\$240,911</u>	<u>\$240,911</u>	<u>\$272,453</u>	<u>\$31,542</u>

BARODA TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - FIRE EQUIPMENT FUND  
 YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Over (Under)</u>
Fund balance - beginning of year	\$225,199	\$225,199	\$225,199	\$ -
Resources (inflows):				
Property taxes	66,000	66,000	73,028	7,028
Interest and rentals	2,250	2,250	9,252	7,002
Other miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Amounts available for appropriation	<u>293,549</u>	<u>293,549</u>	<u>307,479</u>	<u>13,930</u>
Charges to appropriations (outflows):				
Public safety	<u>59,800</u>	<u>59,800</u>	<u>97,933</u>	<u>38,133</u>
Total charges to appropriations	<u>59,800</u>	<u>59,800</u>	<u>97,933</u>	<u>38,133</u>
Fund balance - end of year	<u>\$233,749</u>	<u>\$233,749</u>	<u>\$209,546</u>	<u>\$(24,203)</u>

BARODA TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GARBAGE AND RUBBISH FUND  
 YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Over (Under)</u>
Fund balance - beginning of year	\$212,095	\$212,095	\$212,095	\$ -
Resources (inflows):				
Property taxes	<u>135,000</u>	<u>135,000</u>	<u>147,174</u>	<u>12,174</u>
Amounts available for appropriation	<u>347,095</u>	<u>347,095</u>	<u>359,269</u>	<u>12,174</u>
Charges to appropriations (outflows):				
Public works	<u>152,900</u>	<u>152,900</u>	<u>161,091</u>	<u>8,191</u>
Total charges to appropriations	<u>152,900</u>	<u>152,900</u>	<u>161,091</u>	<u>8,191</u>
Fund balance - end of year	<u>\$194,195</u>	<u>\$194,195</u>	<u>\$198,178</u>	<u>\$ 3,983</u>



July 13, 2007

To the Members of the Baroda Township Board  
Baroda Township  
Baroda, MI 49101

In planning and performing our audit of the financial statements of Baroda Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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. We consider the following deficiency to be a significant deficiency in internal control:

1. The size of the Township's accounting and administrative staff limits the segregation of duties that would be preferred to increase internal control over the Township's finances. This results in the need for the Township Board to provide oversight and independent review of the finances to enhance internal control over the Township's financial affairs.

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 will not be prevented or detected by the entity's internal control. We believe the following deficiencies constitute material weaknesses:

1. Material adjustments were identified by Barnes & Ross, PC during the audit that affected the financial statements of Baroda Township. Adjustments were made to properly record property taxes, accounts payable, accrued payroll and to adjust the individual funds which were not in balance.
2. The Township does not have the proper procedures, nor the skilled employees required to prepare financial statements in accordance with generally accepted accounting principles, record revenue or expenditure accruals and present required financial statement disclosures.

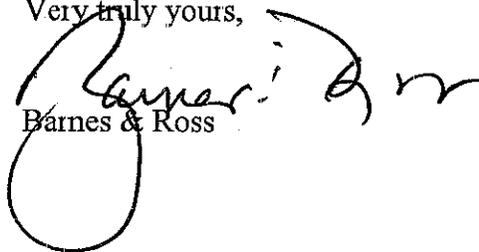
In addition to the above, we offer the following comments and recommendations noted during our audit:

1. Several of the bank reconciliations in Peachtree need to be adjusted to show the actual outstanding items (General Fund, Fire Maintenance and Police) and several items need to be removed from the manual reconciliations. Our office can assist the clerk/treasurer with the corrections that need to be made to update those reports.
2. The Police and Rubbish funds do not maintain separate bank accounts and have large balances in the inter-fund accounts. At a minimum, the Township should establish at a investment accounts in those funds to allocate interest earnings from these cash balances.
3. During the audit we discovered several liabilities in various funds which were overlooked and never remitted to the intended recipient. We have provided a list of these items to the clerk for payment.
4. In July 2007 the Local Audit Division updated the Uniform Accounting Procedures manual. Included in these procedures are requirements that the legislative body be provided monthly reports by the clerk detailing revenue and expenditures compared to budget, as well as a balance sheet for each fund. The treasurer should produce a monthly summary report of cash activity by fund, by bank account & by certificate of deposit account.
5. The Accounting Standards Board "ASB" has issued a series of new audit standards which are referred to as the Risk Assessment Standards. They are intended to provide more definitive audit standards and improve audit effectiveness. The eight new standards are effective for audits of periods beginning on or after December 15, 2006 (next year's audit).

We would like to thank the Board for the courtesy and cooperation extended to us by the officials and employees of the Township during the course of our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and would be pleased to assist you in implementing them in the future.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Pamela A. Ross

Barnes & Ross