

### 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 Thomas Township	County Saginaw
Fiscal Year End 3/31/07	Opinion Date 6/18/07	Date Audit Report Submitted to State 7/12/07	

We affirm that:

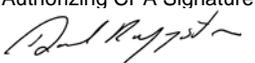
We are certified public accountants licensed to practice in Michigan.

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).

- Check each applicable box below.** (See instructions for further detail.)
- |     | YES                                 | NO                                  |   |
|-----|-------------------------------------|-------------------------------------|---|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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 type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			Telephone Number (989) 793-9830	
Street Address 3023 Davenport Avenue		City Saginaw	State MI	Zip 48602
Authorizing CPA Signature 		Printed Name David R. Youngstrom		License Number A 262757

**Thomas Township**

**Saginaw, Michigan**

**Annual Financial Statements  
and  
Auditors' Report  
March 31, 2007**

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**Thomas Township**  
**List of Elected and Appointed Officials**  
**March 31, 2007**

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Township Board

Robert Weise  
Edward Brosowski  
Nelson Armstrong  
Tim Ader  
Ellen Ryder-Petre  
Michael Thayer  
Vern Weber

Supervisor  
Clerk  
Treasurer  
Trustee  
Trustee  
Trustee  
Trustee

Other Officers and Officials

Russell Taylor  
  
Deidre Frolo

Township Manager  
  
Fiscal Services Director

## Independent Auditors' Report

To the Township Board  
Thomas Township

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 Thomas 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. 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, each major fund, and the aggregate remaining fund information of Thomas 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 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 Thomas 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.

*Yeo & Yeo, P.C.*

June 18, 2007  
Saginaw, Michigan

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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This discussion and analysis of the Thomas Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As further detailed in this discussion and analysis, the following represents some of the more significant financial highlights for the year ended March 31, 2007.

Total net assets related to the Township's governmental activities are \$6,797,021. The unrestricted portions of net assets are \$4,589,840 (see table of statement of net assets on the following page).

In recent years, the Township has experienced substantial reductions in State Shared revenues from the State of Michigan from \$1,018,512 in 2000 down to \$844,126 in 2007. As the primary source of revenue, the Township has had to restrict its spending, while seeking ways to develop new revenues and minimize spending. In light of continuing State Budget constraints, and the constant threat of additional revenue sharing reductions, the Township has reacted by invoking tighter controls over all expenditures.

Property tax revenue increased slightly in the 2006/07 fiscal year. The increase is largely representative of the steady level of new construction combined with the annual increase in property values. With the need to develop new revenues, the budget over the course of the last few years has seen an increased reliance upon other revenue sources, such as permit fees, cable franchise fees and various others in smaller increments.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide a long term picture of the Township's finances and activities as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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**The Thomas Township as a Whole**

The following table shows, in a condensed format, the statement of net assets.

	March 31, 2007			March 31, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 5,054,863	\$ 8,855,600	\$ 13,910,463	\$ 4,510,162	\$ 8,004,812	\$ 12,514,974
Capital assets	<u>2,286,693</u>	<u>17,800,981</u>	<u>20,087,674</u>	<u>2,209,047</u>	<u>17,839,103</u>	<u>20,048,150</u>
Total assets	<u>7,341,556</u>	<u>26,656,581</u>	<u>33,998,137</u>	<u>6,719,209</u>	<u>25,843,915</u>	<u>32,563,124</u>
Current liabilities	447,761	133,006	580,767	306,852	116,899	423,751
Long term liabilities	<u>96,774</u>	<u>-</u>	<u>96,774</u>	<u>212,694</u>	<u>-</u>	<u>212,694</u>
Total liabilities	<u>544,535</u>	<u>133,006</u>	<u>677,541</u>	<u>519,546</u>	<u>116,899</u>	<u>636,445</u>
Total net assets	<u>\$ 6,797,021</u>	<u>\$ 26,630,429</u>	<u>\$ 33,427,450</u>	<u>\$ 6,199,663</u>	<u>\$ 25,727,016</u>	<u>\$ 31,926,679</u>

The Township's net assets as of March 31, 2007 in the governmental activities are \$6,797,021 of which \$4,589,840 are unrestricted.

The Township's net assets as of March 31, 2007 for business type activities are \$26,630,429 of which \$8,829,448 are unrestricted.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

	March 31, 2007			March 31, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 1,167,996	\$ 2,994,541	\$ 4,162,537	\$ 1,215,748	\$ 3,067,616	\$ 4,283,364
Operating grants and contributions	4,427	-	4,427	12,446	-	12,446
Capital grants and contributions	-	141,559	141,559	-	-	-
General revenue						
Property taxes	1,735,930	-	1,735,930	1,668,509	-	1,668,509
State-shared revenue	844,126	-	844,126	858,434	-	858,434
Unrestricted investment earnings	197,726	330,801	528,527	115,143	156,710	271,853
Gain on sale of capital assets	300	7,000	7,300	10,343	4,500	14,843
Miscellaneous revenue	306,176	11,710	317,886	267,770	7,176	274,946
	<u>4,256,681</u>	<u>3,485,611</u>	<u>7,742,292</u>	<u>4,148,393</u>	<u>3,236,002</u>	<u>7,384,395</u>
<b>Total revenue</b>						
	<u>4,256,681</u>	<u>3,485,611</u>	<u>7,742,292</u>	<u>4,148,393</u>	<u>3,236,002</u>	<u>7,384,395</u>
<b>Program expenses</b>						
General government	795,392	-	795,392	681,770	-	681,770
Public safety	1,385,791	-	1,385,791	1,424,390	-	1,424,390
Public works	769,255	-	769,255	799,955	-	799,955
Community and economic development	9,219	-	9,219	-	-	-
Recreation and culture	685,738	-	685,738	721,971	-	721,971
Interest on long term debt	13,928	-	13,928	24,743	-	24,743
Water and sewer	-	2,582,198	2,582,198	-	2,404,375	2,404,375
	<u>3,659,323</u>	<u>2,582,198</u>	<u>6,241,521</u>	<u>3,652,829</u>	<u>2,404,375</u>	<u>6,057,204</u>
<b>Total program expenses</b>						
	<u>3,659,323</u>	<u>2,582,198</u>	<u>6,241,521</u>	<u>3,652,829</u>	<u>2,404,375</u>	<u>6,057,204</u>
<b>Change in net assets</b>	<u>\$ 597,358</u>	<u>\$ 903,413</u>	<u>\$ 1,500,771</u>	<u>\$ 495,564</u>	<u>\$ 831,627</u>	<u>\$ 1,327,191</u>

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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**Governmental Activities**

The Township's total governmental activity revenues were \$4,256,681. There was a decrease in State-shared revenue, which has been offset with an increase in property taxes and other revenues.

Governmental activity expenditures of \$3,659,323 were recorded for the year. This included increases in health care costs and property and liability insurance rates. Increased revenues and restricted spending in other areas were used to offset the cost increases.

**Business Type Activities**

The Thomas Township's business-type activities consist of a Water Fund and a Sewer Fund. The water and sewer funds are both major funds.

The Township provides treated water to the Township residents. The treated water is purchased from the City of Saginaw Water Supply System. The Township water supply system does not currently have any revenue or general obligation bond debt. Water usage in fiscal year 2007 increased. The volume of water distributed to residents of the Township increased to nearly 700 million gallons largely due to increased demands by HSC. As a result, Thomas Township has established itself solidly as the second largest wholesale water user on the Saginaw Water System.

The Township also provides municipal sanitary sewer to 3,174 homes and business customers. The Township sends all of its effluent to the Saginaw Township Wastewater Plant.

The Township has not increased sewer or water rates in several years. The Township anticipates increasing both water and sewer rates in the upcoming fiscal year due to the proposed rate increases from the City of Saginaw and the expansion of the Saginaw Township Wastewater Treatment Plant. In addition, any subsequent increases resulting from mandated requirements passed by the State and Federal legislatures will be passed on to users of the system.

**Thomas Township Funds**

The fund financial statements provide detailed information about the most significant funds of the Township. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major governmental funds include the General Fund, Refuse Collection Fund, Police Fund, and Fire Fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues and from fees charged for various municipal activities and services are recorded in the General Fund. The Township Board's approved budget for the 2006/07 fiscal year provided for a decrease of \$72,213; however, the

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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increase was actually \$117,052, thereby increasing the total General Fund balance to \$1,640,171. This was primarily due to restricted spending, a series of small increases to various revenue sources and limited road construction projects.

Additionally, the Township managed to keep expenditures down to about \$1,454,604. The result of both of these factors was an increase to the fund balance of \$117,052.

Overall, the Township has taken a relatively conservative approach with estimating revenues so as not to have the same experience that the State has had in recent years where actual revenues do not reach budgetary estimates.

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund.

**b) Refuse Collection Fund**

The Refuse Collection Fund accounts for the revenue and expenditures necessary to provide refuse collection and recycling to the residents of the Township. The Township Board's approved budget for the 2006/07 fiscal year projected a decrease of \$1,651 to the fund balance that actually was an increase of \$63,915 at the fiscal year end. This fund relies upon a special assessment that is collected in the early part of the calendar year as prepayment for refuse services purchased throughout the balance of the calendar year.

**c) Police Fund**

The Police Fund accounts for the revenue and expenditures to provide police services to the community. The Township Board approved a budget that would increase the fund balance by \$5,916 over the course of the fiscal year. The actual increase was \$14,270 resulting in a fiscal year-end fund balance of \$439,294. Due to reductions in staffing two years ago, the financial outlook appears as though there will be an adequate fund balance in the Police Fund for at least the next five years. The Township will have to continue to examine the department's operations and revenue sources to maintain the level of service.

**d) Fire Fund**

The Fire Fund accounts for the revenue and expenditures relating to the Township's Fire Department operations. The Township Board approved a budget that would increase the fund balance by \$26,041.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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**General Fund Budgetary Highlights**

Over the course of the year, the Township Board and Township Manager monitor and amend the budget to account for unanticipated events during the year. The most significant change was an increase in the cost to remodel the main office, purchase park land, additional State and Federal unfunded mandates, and increased employee benefits costs. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these issues. When taking into account the planned use of a portion of the Township's general fund balance, the Township's departments overall stayed below their total proposed budgetary expenditures. The combined efforts of the Township's departments resulted in the Township being able to increase its General Fund balance by \$117,052.

**Capital Asset and Debt Administration**

At the end of the 2007 fiscal year the Township had \$19,968,799 invested in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines.

Water and sewer system improvements, the library renovation, and renovations to fire station #2 were the only significant additions to capital assets during fiscal year 2007. Currently, the Township does not anticipate any additional capital expenditures. The Township has not experienced any changes in its credit rating, nor has it taken on any new debt during fiscal year 2007.

Thomas Township does not use the alternative method for reporting infrastructure.

The Township currently has no debt reported in these financial statements in relation to the construction of the above-mentioned assets and buildings. The only debt is one at-large drain assessment owed to the Saginaw County Drain Commissioner with projected payments totaling \$118,875 for the Companion Drain.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for the next fiscal year anticipates a 2% increase in General Fund and a 2% decrease in total General Fund expenditures and transfers. The Township needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or five (5%) percent. Because some properties increase by less than inflation, the mathematical result of this is that the total taxable value of the Township will grow less than inflation, before considering new property additions. After a few years of reductions, State Shared Revenue was relatively stable. However, threats of future cutbacks are continually mentioned due to less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services and interest on investments, continue to cause some concern on the Township's ability to balance its budget.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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In addition to the annual budget, Thomas Township puts forth a substantial amount of effort to develop a Five Year Financial Forecast that is updated annually, along with the Capital Improvement Plan. These documents are used to evaluate spending and revenue trends well into the immediate future. This enables the Township Board to make more informed decisions relative to the finances of the Township.

To encourage additional growth the Township has taken advantage of available grant opportunities. While a financial match is often required of the Township for grant funded projects, the Township has taken a fiscally responsible approach of ensuring adequate funds are available for such projects including large sanitary sewer and park projects in recent years. In addition, the Township has continued to view economic development as a primary focus. While economic concerns are often left behind in difficult financial times, the Township has taken the approach that without ensuring a solid future tax base the tough times will continue to exist.

**Contacting the Thomas Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Thomas Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact us at (989) 781-0150.

**Thomas Township**  
**Statement of Net Assets**  
**March 31, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,656,138	\$ 8,164,041	\$ 12,820,179
Receivables			
Taxes	131,604	-	131,604
Customers	5,170	451,427	456,597
Special assessments	47,178	165,944	213,122
Accrued interest and other	3,506	-	3,506
Due from other units of government	141,267	19,354	160,621
Inventories	-	54,834	54,834
Prepaid items	70,000	-	70,000
Restricted assets			
Cash and cash equivalents	-	106,854	106,854
Capital assets not being depreciated	135,368	141,559	276,927
Capital assets, net of accumulated depreciation	<u>2,151,325</u>	<u>17,659,422</u>	<u>19,810,747</u>
Total assets	<u>7,341,556</u>	<u>26,763,435</u>	<u>34,104,991</u>
<b>Liabilities</b>			
Accounts payable	49,644	91,387	141,031
Accrued and other liabilities	234,853	33,619	268,472
Due to other units of government	44,389	8,000	52,389
Noncurrent liabilities			
Due within one year	118,875	-	118,875
Due in more than one year	<u>96,774</u>	<u>-</u>	<u>96,774</u>
Total liabilities	<u>544,535</u>	<u>133,006</u>	<u>677,541</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,167,818	17,800,981	19,968,799
Restricted for:			
Building code enforcement	39,363	-	39,363
Unrestricted	<u>4,589,840</u>	<u>8,829,448</u>	<u>13,419,288</u>
<b>Total net assets</b>	<u>\$ 6,797,021</u>	<u>\$ 26,630,429</u>	<u>\$ 33,427,450</u>

See Accompanying Notes to Financial Statements

**Thomas 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
<b>Primary government</b>							
Governmental activities							
General government	\$ 795,392	\$ 482,069	\$ -	\$ -	\$ (313,323)	\$ -	\$ (313,323)
Public safety	1,385,791	12,058	4,427	-	(1,369,306)	-	(1,369,306)
Public works	769,255	519,568	-	-	(249,687)	-	(249,687)
Community and economic development	9,219	-	-	-	(9,219)	-	(9,219)
Recreation and culture	685,738	154,301	-	-	(531,437)	-	(531,437)
Interest on long-term debt	13,928	-	-	-	(13,928)	-	(13,928)
Total governmental activities	<u>3,659,323</u>	<u>1,167,996</u>	<u>4,427</u>	<u>-</u>	<u>(2,486,900)</u>	<u>-</u>	<u>(2,486,900)</u>
Business-type activities							
Sewer	967,218	1,172,063	-	-	-	204,845	204,845
Water	1,614,980	1,822,478	-	141,559	-	349,057	349,057
Total business-type activities	<u>2,582,198</u>	<u>2,994,541</u>	<u>-</u>	<u>141,559</u>	<u>-</u>	<u>553,902</u>	<u>553,902</u>
Total primary government	<u>\$ 6,241,521</u>	<u>\$ 4,162,537</u>	<u>\$ 4,427</u>	<u>\$ 141,559</u>	<u>(2,486,900)</u>	<u>553,902</u>	<u>(1,932,998)</u>
General revenues							
Property taxes					1,735,930	-	1,735,930
State shared revenue					844,126	-	844,126
Unrestricted investment earnings					197,726	330,801	528,527
Gain on sale of capital assets					300	7,000	7,300
Miscellaneous					306,176	11,710	317,886
Total general revenues					<u>3,084,258</u>	<u>349,511</u>	<u>3,433,769</u>
Change in net assets					597,358	903,413	1,500,771
Net assets - beginning of year					<u>6,199,663</u>	<u>25,727,016</u>	<u>31,926,679</u>
<b>Net assets - end of year</b>					<u>\$ 6,797,021</u>	<u>\$ 26,630,429</u>	<u>\$ 33,427,450</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2007**

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Refuse Collection	Police Fund	Fire Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 1,567,723	\$ 713,619	\$ 454,178	\$ 311,006	\$ 1,609,612	\$ 4,656,138
Receivables						
Taxes	131,604	-	-	-	-	131,604
Customers	-	-	5,170	-	-	5,170
Special assessments	-	-	-	-	47,178	47,178
Accrued interest and other	-	-	-	-	3,506	3,506
Due from other units of government	141,267	-	-	-	-	141,267
Due from other funds	3,506	-	-	-	-	3,506
Prepaid items	-	-	-	-	70,000	70,000
<b>Total assets</b>	<u>\$ 1,844,100</u>	<u>\$ 713,619</u>	<u>\$ 459,348</u>	<u>\$ 311,006</u>	<u>\$ 1,730,296</u>	<u>\$ 5,058,369</u>
<b>Liabilities</b>						
Accounts payable	\$ 6,978	\$ 32,271	\$ 3,479	\$ 2,251	\$ 4,665	\$ 49,644
Accrued and other liabilities	21,387	151	16,575	8,248	188,492	234,853
Due to other funds	-	-	-	-	3,506	3,506
Due to other units of government	43,960	-	-	-	429	44,389
Deferred revenue	131,604	-	-	-	47,178	178,782
Total liabilities	<u>203,929</u>	<u>32,422</u>	<u>20,054</u>	<u>10,499</u>	<u>244,270</u>	<u>511,174</u>
<b>Fund balances</b>						
Reserved for:						
Fire truck purchase	-	-	-	-	70,000	70,000
Unreserved						
Designated for:						
Building code enforcement	39,363	-	-	-	-	39,363
Unreserved, reported in:						
General fund	1,600,808	-	-	-	-	1,600,808
Special revenue funds	-	681,197	439,294	300,507	1,415,126	2,836,124
Capital project funds	-	-	-	-	900	900
Total fund balances	<u>1,640,171</u>	<u>681,197</u>	<u>439,294</u>	<u>300,507</u>	<u>1,486,026</u>	<u>4,547,195</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,844,100</u>	<u>\$ 713,619</u>	<u>\$ 459,348</u>	<u>\$ 311,006</u>	<u>\$ 1,730,296</u>	<u>\$ 5,058,369</u>

See Accompanying Notes to Financial Statements

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

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<b>Total fund balances for governmental funds</b>	\$ 4,547,195
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.	2,286,693
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	178,782
Certain liabilities are not due and payable in the current period and are not reported in the funds. Compensated absences	(96,774)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(118,875)</u>
<b>Net assets of governmental activities</b>	<u>\$ 6,797,021</u>

See Accompanying Notes to Financial Statements

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

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Refuse Collection	Police Fund	Fire Fund		
<b>Revenues</b>						
Taxes	\$ 608,716	\$ -	\$ 500,111	\$ 281,415	\$ 347,402	\$ 1,737,644
Licenses and permits	187,927	-	8,917	-	-	196,844
State revenue sharing	844,126	-	-	-	-	844,126
Other state grants	-	-	4,427	-	15,028	19,455
Charges for services	258,148	519,568	3,181	8,877	92,529	882,303
Fines and forfeitures	30,494	-	-	-	57,612	88,106
Interest income	89,350	20,529	8,464	6,446	72,937	197,726
Rental income	5,612	-	-	-	4,160	9,772
Other revenue	233,659	7,332	6,625	700	33,803	282,119
Total revenues	<u>2,258,032</u>	<u>547,429</u>	<u>531,725</u>	<u>297,438</u>	<u>623,471</u>	<u>4,258,095</u>
<b>Expenditures</b>						
Current						
General government	672,048	-	-	-	-	672,048
Public safety	166,431	-	702,023	398,733	-	1,267,187
Public works	251,207	483,514	-	-	-	734,721
Recreation and culture	-	-	-	-	625,378	625,378
Capital outlay	232,115	-	23,763	28,073	136,801	420,752
Debt service						
Principal retirement	118,875	-	-	-	-	118,875
Interest and fiscal charges	13,928	-	-	-	-	13,928
Total expenditures	<u>1,454,604</u>	<u>483,514</u>	<u>725,786</u>	<u>426,806</u>	<u>762,179</u>	<u>3,852,889</u>
Excess (deficiency) of revenues over expenditures	<u>803,428</u>	<u>63,915</u>	<u>(194,061)</u>	<u>(129,368)</u>	<u>(138,708)</u>	<u>405,206</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	208,331	156,078	321,967	686,376
Transfers out	(686,376)	-	-	-	-	(686,376)
Sale of fixed assets	-	-	-	-	300	300
Total other financing sources and uses	<u>(686,376)</u>	<u>-</u>	<u>208,331</u>	<u>156,078</u>	<u>322,267</u>	<u>300</u>
Net change in fund balance	117,052	63,915	14,270	26,710	183,559	405,506
Fund balance - beginning of year	<u>1,523,119</u>	<u>617,282</u>	<u>425,024</u>	<u>273,797</u>	<u>1,302,467</u>	<u>4,141,689</u>
<b>Fund balance - end of year</b>	<u>\$ 1,640,171</u>	<u>\$ 681,197</u>	<u>\$ 439,294</u>	<u>\$ 300,507</u>	<u>\$ 1,486,026</u>	<u>\$ 4,547,195</u>

See Accompanying Notes to Financial Statements

**Thomas 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**

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**Net change in fund balances - Total governmental funds** \$ 405,506

Total change in net assets reported for governmental activities in the statement of activities is different because:

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	(126,005)
Capital outlay	203,651

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	(13,411)
Property taxes	11,697

Expenses are recorded when incurred in the statement of activities

Compensated absences	(2,955)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>118,875</u>
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**Change in net assets of governmental activities** \$ 597,358

**Thomas Township  
Proprietary Funds  
Statement of Net Assets  
March 31, 2007**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,676,105	\$ 4,487,936	\$ 8,164,041
Receivables			
Customers	191,529	259,898	451,427
Special assessments, current	6,406	10,405	16,811
Due from other units of government	19,354	-	19,354
Inventories	-	54,834	54,834
Total current assets	<u>3,893,394</u>	<u>4,813,073</u>	<u>8,706,467</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	48,004	58,850	106,854
Special assessments receivable, deferred	138,729	10,404	149,133
Capital assets not being depreciated	-	141,559	141,559
Capital assets, net of accumulated depreciation	<u>7,788,440</u>	<u>9,870,982</u>	<u>17,659,422</u>
Total noncurrent assets	<u>7,975,173</u>	<u>10,081,795</u>	<u>18,056,968</u>
Total assets	<u>11,868,567</u>	<u>14,894,868</u>	<u>26,763,435</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	2,388	88,999	91,387
Accrued and other liabilities	16,850	16,769	33,619
Due to other units of government	-	8,000	8,000
Total current liabilities	<u>19,238</u>	<u>113,768</u>	<u>133,006</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,788,440	10,012,541	17,800,981
Unrestricted	<u>4,060,889</u>	<u>4,768,559</u>	<u>8,829,448</u>
<b>Total net assets</b>	<u>\$ 11,849,329</u>	<u>\$ 14,781,100</u>	<u>\$ 26,630,429</u>

See Accompanying Notes to Financial Statements

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

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 1,168,366	\$ 1,779,480	\$ 2,947,846
Connection fees	-	39,300	39,300
Rental income	3,697	3,698	7,395
Other revenue	4,451	14,259	18,710
Total operating revenue	<u>1,176,514</u>	<u>1,836,737</u>	<u>3,013,251</u>
<b>Operating expenses</b>			
Personnel services	169,973	188,595	358,568
Supplies	14,838	591	15,429
Contractual services	369,666	983,863	1,353,529
Utilities	33,075	8,303	41,378
Repairs and maintenance	74,501	78,471	152,972
Other expenses	121,767	149,603	271,370
Depreciation	183,398	205,554	388,952
Total operating expenses	<u>967,218</u>	<u>1,614,980</u>	<u>2,582,198</u>
Operating income	<u>209,296</u>	<u>221,757</u>	<u>431,053</u>
<b>Nonoperating revenue (expenses)</b>			
State grant	-	141,559	141,559
Interest income	148,775	182,026	330,801
Total nonoperating revenues (expenses)	<u>148,775</u>	<u>323,585</u>	<u>472,360</u>
Change in net assets	358,071	545,342	903,413
Net assets - beginning of year	<u>11,491,258</u>	<u>14,235,758</u>	<u>25,727,016</u>
<b>Net assets - end of year</b>	<u>\$ 11,849,329</u>	<u>\$ 14,781,100</u>	<u>\$ 26,630,429</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,322,425	\$ 1,851,309	\$ 3,173,734
Receipts from other funds	1,299	1,299	2,598
Payments to other funds	-	(1,194,684)	(1,194,684)
Payments to suppliers	(629,153)	(188,595)	(817,748)
Payments to employees	(169,973)	-	(169,973)
	<u>524,598</u>	<u>469,329</u>	<u>993,927</u>
Net cash provided by operating activities			
<b>Cash flows from noncapital financing activities</b>			
State grant	-	141,559	141,559
	<u>-</u>	<u>141,559</u>	<u>141,559</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from special assessments	(145,135)	(20,809)	(165,944)
Purchases/construction of capital assets	(35,228)	(315,602)	(350,830)
	<u>(180,363)</u>	<u>(336,411)</u>	<u>(516,774)</u>
Net cash used by capital and related financing activities			
<b>Cash flows from investing activities</b>			
Interest received	148,775	182,026	330,801
	<u>148,775</u>	<u>182,026</u>	<u>330,801</u>
Net change in cash and cash equivalents	493,010	456,503	949,513
Cash and cash equivalents - beginning of year	<u>3,231,099</u>	<u>4,090,283</u>	<u>7,321,382</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,724,109</u>	<u>\$ 4,546,786</u>	<u>\$ 8,270,895</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 209,296	\$ 221,757	\$ 431,053
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	183,398	205,554	388,952
Changes in assets and liabilities			
Receivables	165,265	14,572	179,837
Due from other units of government	(19,354)	-	(19,354)
Due from other funds	1,299	1,299	2,598
Inventories	-	(5,266)	(5,266)
Accounts payable	1,371	24,032	25,403
Accrued and other liabilities	4,473	1,381	5,854
Due to other units of government	(21,150)	6,000	(15,150)
	<u>\$ 524,598</u>	<u>\$ 469,329</u>	<u>\$ 993,927</u>
<b>Net cash provided by operating activities</b>			

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

Thomas Township is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

**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 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.

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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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 Police Fund accounts for revenues and expenditures associated with police protection.

The Fire Fund accounts for revenues and expenditures associated with fire protection.

The Refuse Collection Fund accounts for the revenue and expenditures with the government's refuse collection operation.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

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

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The non-major capital project fund is used to account for the revenue and expenditures related to significant capital projects.

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 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

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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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 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$ 425,809,427 on which ad valorem taxes consisted of 3.3377 mills for operating purposes. This resulted in \$1,670,000 for operating expenses,

exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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 \$5,000 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
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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Compensated absences – It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. 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 if they have matured, for example, as a result of employee resignations and retirements.

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, business-type activities, or 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.

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 government 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.

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. Department heads can make line item adjustments within their activity centers except that any changes to wage accounts, capital outlay, and overall department totals require approval of 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 budget**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund</b>			
Building inspection department	<u>\$161,152</u>	<u>\$166,431</u>	<u>\$ (5,279)</u>

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

**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
Governmental activities	\$ 4,656,138
Business-type activities	8,164,041
Total	\$ 12,820,179

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 12,819,654
Petty cash and cash on hand	525
	\$ 12,820,179

*Interest rate risk* – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

*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, \$ 12,677,435 was exposed to custodial credit risk because it was uninsured and uncollateralized. In the current year, the Township transferred funds to another financial institution to reduce the exposure to custodial credit risk.

**Note 4 - Receivables and Deferred Revenue**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
<b>Primary government</b>	
Special assessments - sewer fund	\$ 138,729
Special assessments - water fund	7,618
Special assessments - road revolving fund	34,621
	\$ 180,968

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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

**Primary government**

Special assessments	\$ 47,178
Property taxes	<u>131,604</u>
	<u>\$ 178,782</u>

**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 66,700	\$ 68,668	\$ -	\$ 135,368
Capital assets being depreciated				
Buildings, additions and improvements	2,614,376	116,995	-	2,731,371
Machinery and equipment	154,386	17,988	-	172,374
Vehicles	<u>1,034,259</u>	<u>-</u>	<u>39,914</u>	<u>994,345</u>
Total capital assets being depreciated	<u>3,803,021</u>	<u>134,983</u>	<u>39,914</u>	<u>3,898,090</u>
Less accumulated depreciation for				
Buildings, additions and improvements	628,636	73,615	-	702,251
Machinery and equipment	113,652	15,041	-	128,693
Vehicles	<u>918,386</u>	<u>37,349</u>	<u>39,914</u>	<u>915,821</u>
Total accumulated depreciation	<u>1,660,674</u>	<u>126,005</u>	<u>39,914</u>	<u>1,746,765</u>
Net capital assets being depreciated	<u>2,142,347</u>	<u>8,978</u>	<u>-</u>	<u>2,151,325</u>
Governmental activities capital assets, net	<u>\$ 2,209,047</u>	<u>\$ 77,646</u>	<u>\$ -</u>	<u>\$ 2,286,693</u>

Capital assets activity of the business type activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 141,559	\$ -	\$ 141,559
Capital assets being depreciated				
Land improvements	171,739	14,231	-	185,970
Buildings, additions and improvements	115,338	14,231	-	129,569
Machinery and equipment	328,173	12,054	6,811	333,416
Vehicles	184,638	12,054	-	196,692
Water system	12,220,416	147,758	-	12,368,174
Sewer system	<u>10,940,810</u>	<u>8,943</u>	<u>-</u>	<u>10,949,753</u>
Total capital assets being depreciated	<u>23,961,114</u>	<u>209,271</u>	<u>6,811</u>	<u>24,163,574</u>
Less accumulated depreciation for				
Land improvements	10,959	295	-	11,254
Buildings, additions and improvements	66,520	10,286	1,289	75,517
Machinery and equipment	268,274	31,386	5,522	294,138
Vehicles	143,580	19,274	-	162,854
Water system	2,447,632	171,986	-	2,619,618
Sewer system	<u>3,185,046</u>	<u>155,725</u>	<u>-</u>	<u>3,340,771</u>
Total accumulated depreciation	<u>6,122,011</u>	<u>388,952</u>	<u>6,811</u>	<u>6,504,152</u>
Net capital assets being depreciated	<u>17,839,103</u>	<u>(179,681)</u>	<u>-</u>	<u>17,659,422</u>
Business-type capital assets, net	<u>\$ 17,839,103</u>	<u>\$ (38,122)</u>	<u>\$ -</u>	<u>\$ 17,800,981</u>

The Township transferred fully depreciated capital assets from the sewer and water funds to the general fund of \$39,914. In addition, the sewer fund transferred to the water fund fully depreciated assets of \$22,856. All capital asset transfers are reflected as increases to capital assets and accumulated depreciation.

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

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

		Funds Transferred From	Funds Transferred To	Amount
<b>Governmental activities</b>				
General government	\$ 12,472			
Public safety	69,460	General	Road Revolving	\$ 40,000
Recreation and culture	<u>44,073</u>	General	Fire	156,078
Total governmental activities	<u>126,005</u>	General	Police	208,331
		General	Park	<u>281,967</u>
<b>Business-type activities</b>				
Sewer	183,398			<u>\$ 686,376</u>
Water	<u>205,554</u>			
Total business-type activities	<u>388,952</u>			
Total primary government	<u>\$ 514,957</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 6 - Interfund Receivables, Payable, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due from/to other funds</b>		
General	Park	<u>\$ 3,506</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:

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**Note 7 - Long-Term Debt**

The government issues bonds to provide for the acquisition and construction of major capital projects. Special assessment obligations are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Special assessment obligations									
Companion drain assessment	\$ 1,188,750	3/08	4.38%	\$ 118,875	\$ 237,750	\$ -	\$ 118,875	\$ 118,875	\$ 118,875
Compensated absences					93,819	2,955	-	96,774	-
Total governmental activities					\$ 331,569	\$ 2,955	\$ 118,875	\$ 215,649	\$ 118,875

**Thomas 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,	Governmental Activities	
	Principal	Interest
2008	\$ 118,875	\$ 8,283

**Note 8 - 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 9 - Pension Plan**

The Township of Thomas Group Defined Contribution Pension Plan is a single employer defined contribution plan, established by the Township Board, with assets administered by John Hancock.

A defined contribution pension provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of the contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 20 months of full-time

employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions, plus interest earned, if vesting requirements are satisfied. The Township is required to contribute 11% of the employee's total W-2 earnings for each calendar year.

During the year the Township's required and actual pension contribution was \$ 133,628 which is approximately 8% of its current year payroll.

Employees may contribute up to 25% of wages to this pension plan. Employee voluntary contributions during the fiscal year ended March 31, 2007 were \$ 11,870.

Plan provisions and contribution requirements are established and may be amended by the Township board.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

**Note 10 - 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.

**Note 11 - Subsequent Event**

The Township has entered into a project with Hemlock Semi Conductor (HSC) one of its larger tax payers to expand water services. The Township is to receive a grant from the State of Michigan to cover some of the costs and HSC will be paying the remaining balance.

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

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 472,880	\$ 472,880	\$ 453,141	\$ (19,739)
Penalties and interest	1,000	1,000	1,162	162
Administration fee	154,660	154,660	154,413	(247)
Licenses and permits	118,600	118,600	187,927	69,327
State revenue sharing	836,428	836,428	844,126	7,698
Charges for services	222,159	222,159	258,148	35,989
Fines and forfeitures	40,060	40,060	30,494	(9,566)
Interest income	30,000	30,000	89,350	59,350
Rental income	6,500	6,500	5,612	(888)
Other revenue	174,036	174,036	233,659	59,623
Total revenues	<u>2,056,323</u>	<u>2,056,323</u>	<u>2,258,032</u>	<u>201,709</u>
<b>Expenditures</b>				
General government				
Township board	53,898	53,898	52,011	(1,887)
Manager	115,534	119,734	120,634	900
Clerk	82,313	82,313	81,286	(1,027)
Treasurer	183,910	178,475	176,400	(2,075)
Assessor	96,931	92,535	90,116	(2,419)
Elections	26,700	26,700	26,707	7
Buildings and grounds	99,383	113,058	111,547	(1,511)
Cemetery	12,230	13,465	13,347	(118)
Total general government	<u>670,899</u>	<u>680,178</u>	<u>672,048</u>	<u>(8,130)</u>

**Thomas 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>
Public safety				
Building inspection department	\$ 156,756	\$ 161,152	\$ 166,431	\$ 5,279
Public works				
Department of public works	138,788	138,788	128,109	(10,679)
Sidewalks	17,469	18,534	18,498	(36)
Drains	1,600	2,300	2,299	(1)
Highways, streets and bridges	55,380	44,330	39,982	(4,348)
Street lighting	<u>55,000</u>	<u>62,500</u>	<u>62,319</u>	<u>(181)</u>
Total public works	<u>268,237</u>	<u>266,452</u>	<u>251,207</u>	<u>(15,245)</u>
Capital outlay	<u>187,888</u>	<u>236,298</u>	<u>232,115</u>	<u>(4,183)</u>
Debt service				
Principal retirement	118,875	118,875	118,875	-
Interest and fiscal charges	<u>20,525</u>	<u>14,025</u>	<u>13,928</u>	<u>(97)</u>
Total debt service	<u>139,400</u>	<u>132,900</u>	<u>132,803</u>	<u>(97)</u>
Transfers out	<u>705,356</u>	<u>686,556</u>	<u>686,376</u>	<u>(180)</u>
Total expenditures	<u>2,128,536</u>	<u>2,163,536</u>	<u>2,140,980</u>	<u>(22,556)</u>
Excess (deficiency) of revenues over expenditures	(72,213)	(107,213)	117,052	224,265
Fund balance - beginning of year	<u>1,523,119</u>	<u>1,523,119</u>	<u>1,523,119</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><b>\$ 1,450,906</b></u>	<u><b>\$ 1,415,906</b></u>	<u><b>\$ 1,640,171</b></u>	<u><b>\$ 224,265</b></u>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Refuse Collection Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 514,240	\$ 514,240	\$ 519,568	\$ 5,328
Interest income	8,000	8,000	20,529	12,529
Other revenue	4,000	4,000	7,332	3,332
Total revenues	<u>526,240</u>	<u>526,240</u>	<u>547,429</u>	<u>21,189</u>
<b>Expenditures</b>				
Current				
Public works	<u>527,891</u>	<u>527,891</u>	<u>483,514</u>	<u>(44,377)</u>
Excess (deficiency) of revenues over expenditures	(1,651)	(1,651)	63,915	65,566
Fund balance - beginning of year	<u>617,282</u>	<u>617,282</u>	<u>617,282</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 615,631</u>	<u>\$ 615,631</u>	<u>\$ 681,197</u>	<u>\$ 65,566</u>

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

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 509,086	\$ 509,086	\$ 500,111	\$ (8,975)
Licenses and permits	8,600	8,600	8,917	317
Other state grants	6,150	6,150	4,427	(1,723)
Charges for services	2,975	2,975	3,181	206
Interest income	3,500	3,500	8,464	4,964
Other revenue	-	-	6,625	6,625
Transfers in	<u>218,439</u>	<u>218,439</u>	<u>208,331</u>	<u>(10,108)</u>
Total revenues	<u>748,750</u>	<u>748,750</u>	<u>740,056</u>	<u>(8,694)</u>
<b>Expenditures</b>				
Current				
Public safety	715,334	713,044	702,023	(11,021)
Capital outlay	<u>27,500</u>	<u>29,790</u>	<u>23,763</u>	<u>(6,027)</u>
Total expenditures	<u>742,834</u>	<u>742,834</u>	<u>725,786</u>	<u>(17,048)</u>
Excess of revenues over expenditures	5,916	5,916	14,270	8,354
Fund balance - beginning of year	<u>425,024</u>	<u>425,024</u>	<u>425,024</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 430,940</u>	<u>\$ 430,940</u>	<u>\$ 439,294</u>	<u>\$ 8,354</u>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire 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>
<b>Revenues</b>				
Taxes	\$ 287,554	\$ 287,554	\$ 281,415	\$ (6,139)
Charges for services	3,310	3,310	8,877	5,567
Interest income	5,000	5,000	6,446	1,446
Other revenue	-	-	700	700
Transfers in	<u>164,950</u>	<u>164,950</u>	<u>156,078</u>	<u>(8,872)</u>
Total revenues	<u>460,814</u>	<u>460,814</u>	<u>453,516</u>	<u>(7,298)</u>
<b>Expenditures</b>				
Current				
Public safety	403,273	405,493	398,733	(6,760)
Capital outlay	<u>31,500</u>	<u>29,280</u>	<u>28,073</u>	<u>(1,207)</u>
Total expenditures	<u>434,773</u>	<u>434,773</u>	<u>426,806</u>	<u>(7,967)</u>
Excess (deficiency) of revenues over expenditures	26,041	26,041	26,710	669
Fund balance - beginning of year	<u>273,797</u>	<u>273,797</u>	<u>273,797</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 299,838</u>	<u>\$ 299,838</u>	<u>\$ 300,507</u>	<u>\$ 669</u>

**Thomas Township**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**March 31, 2007**

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Equipment	Park and Recreation	Library	Cemetery	Drug Enforcement	Road Revolving	Construction	
<b>Assets</b>								
Cash and cash equivalents	\$ 536,594	\$ 62,393	\$ 640,027	\$ 15,428	\$ 900	\$ 114,829	\$ 239,441	\$ 1,609,612
Receivables								
Special assessments	-	-	-	-	-	47,178	-	47,178
Accrued interest and other	-	3,506	-	-	-	-	-	3,506
Prepaid items	70,000	-	-	-	-	-	-	70,000
<b>Total assets</b>	<b><u>\$ 606,594</u></b>	<b><u>\$ 65,899</u></b>	<b><u>\$ 640,027</u></b>	<b><u>\$ 15,428</u></b>	<b><u>\$ 900</u></b>	<b><u>\$ 162,007</u></b>	<b><u>\$ 239,441</u></b>	<b><u>\$ 1,730,296</u></b>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 4,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,665
Accrued and other liabilities	-	5,129	5,346	-	-	-	178,017	188,492
Due to other funds	-	3,506	-	-	-	-	-	3,506
Due to other units of government	-	-	-	-	-	-	429	429
Deferred revenue	-	-	-	-	-	47,178	-	47,178
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>13,300</u></b>	<b><u>5,346</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>47,178</u></b>	<b><u>178,446</u></b>	<b><u>244,270</u></b>
<b>Fund balances</b>								
Reserved for:								
Fire truck purchase	70,000	-	-	-	-	-	-	70,000
Unreserved								
Designated for:								
Cemetery maintenance	-	-	-	15,428	-	-	-	15,428
Undesignated	536,594	52,599	634,681	-	900	114,829	60,995	1,400,598
<b>Total fund balances</b>	<b><u>606,594</u></b>	<b><u>52,599</u></b>	<b><u>634,681</u></b>	<b><u>15,428</u></b>	<b><u>900</u></b>	<b><u>114,829</u></b>	<b><u>60,995</u></b>	<b><u>1,486,026</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 606,594</u></b>	<b><u>\$ 65,899</u></b>	<b><u>\$ 640,027</u></b>	<b><u>\$ 15,428</u></b>	<b><u>\$ 900</u></b>	<b><u>\$ 162,007</u></b>	<b><u>\$ 239,441</u></b>	<b><u>\$ 1,730,296</u></b>

**Thomas Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2007**

	Special Revenue Funds						Capital Project Fund	Total Nonmajor Governmental Funds
	Fire Equipment	Park and Recreation	Library	Cemetery	Drug Enforcement	Road Revolving	Construction	
<b>Revenues</b>								
Taxes	\$ 111,166	\$ -	\$ 222,825	\$ -	\$ -	\$ 13,411	\$ -	\$ 347,402
Other state grants	-	-	15,028	-	-	-	-	15,028
Charges for services	-	92,529	-	-	-	-	-	92,529
Fines and forfeitures	-	-	57,612	-	-	-	-	57,612
Interest income	20,575	3,950	31,056	-	-	5,617	11,739	72,937
Rental income	-	4,160	-	-	-	-	-	4,160
Other revenue	-	29,453	4,350	-	-	-	-	33,803
Sale of fixed assets	-	300	-	-	-	-	-	300
Total revenues	<u>131,741</u>	<u>130,392</u>	<u>330,871</u>	<u>-</u>	<u>-</u>	<u>19,028</u>	<u>11,739</u>	<u>623,771</u>
<b>Expenditures</b>								
Current								
Recreation and culture	-	324,956	300,422	-	-	-	-	625,378
Capital outlay	643	102,942	33,216	-	-	-	-	136,801
Total expenditures	<u>643</u>	<u>427,898</u>	<u>333,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,179</u>
Excess (deficiency) of revenues over expenditures	<u>131,098</u>	<u>(297,506)</u>	<u>(2,767)</u>	<u>-</u>	<u>-</u>	<u>19,028</u>	<u>11,739</u>	<u>(138,408)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	281,967	-	-	-	40,000	-	321,967
Net change in fund balance	131,098	(15,539)	(2,767)	-	-	59,028	11,739	183,559
Fund balance - beginning of year	<u>475,496</u>	<u>68,138</u>	<u>637,448</u>	<u>15,428</u>	<u>900</u>	<u>55,801</u>	<u>49,256</u>	<u>1,302,467</u>
<b>Fund balance - end of year</b>	<u>\$ 606,594</u>	<u>\$ 52,599</u>	<u>\$ 634,681</u>	<u>\$ 15,428</u>	<u>\$ 900</u>	<u>\$ 114,829</u>	<u>\$ 60,995</u>	<u>\$ 1,486,026</u>