

TOWNSHIP OF CLYDE
Allegan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

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

| | | | |
|--|--------------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Township of Clyde | County Allegan |
| Audit Date March 31, 2007 | Opinion Date June 18, 2007 | Date Accountant Report Submitted to State: June 22, 2007 | |

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

We affirm that:

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

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

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 18, 2007

To the Township Board
Township of Clyde
Allegan County, Michigan

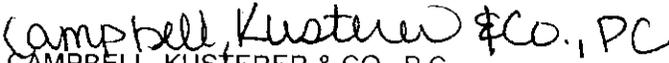
We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Clyde, Allegan County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clyde'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Clyde, Allegan County, Michigan as of March 31, 2007, and the respective changes in financial position 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 listed 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 an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


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

TOWNSHIP OF CLYDE
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Clyde covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$1,360,535.05 for governmental activities.

Overall revenues were \$533,680.79 from governmental activities. Governmental activities had a \$89,099.08 increase in net assets.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund, and the Current Tax Collection Fund.

TOWNSHIP OF CLYDE
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$89,099.08 during the year ended March 31, 2007, totaling \$1,360,535.05.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund pays for most of the Township's governmental services with total expenditures of \$418,183.77.

Cemetery Fund: This fund is used to record revenues and expenses for maintaining and operating Pearl Cemetery.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township has no long-term debt as of March 31, 2007.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Chris McKellips, Township Clerk, or Robert Larsen, Township Treasurer, during regular business hours.

TOWNSHIP OF CLYDE
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

| | Governmental Activities |
|---|----------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | 964 929 30 |
| Accounts receivable | 1 851 69 |
| Taxes receivable | 49 090 65 |
| Total Current Assets | 1 015 871 64 |
| NON-CURRENT ASSETS: | |
| Capital Assets | 590 074 00 |
| Less: Accumulated Depreciation | (242 560 54) |
| Total Non-current Assets | 347 513 46 |
| TOTAL ASSETS | 1 363 385 10 |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES: | |
| Accounts payable | 2 850 05 |
| Total Current Liabilities | 2 850 05 |
| NON-CURRENT LIABILITIES | |
| Total Non-current Liabilities | - |
| Total Liabilities | 2 850 05 |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 347 513 46 |
| Unrestricted | 1 013 021 59 |
| Total Net Assets | 1 360 535 05 |
| TOTAL LIABILITIES AND NET ASSETS | 1 363 385 10 |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

| | <u>Expenses</u> | <u>Program Revenue</u> | <u>Governmental Activities</u> |
|--------------------------------------|--------------------------|---------------------------------|--|
| | | <u>Charges for Services</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
| FUNCTIONS/PROGRAMS | | | |
| Governmental Activities: | | | |
| Legislative | 19 328 23 | - | (19 328 23) |
| General government | 112 150 76 | 24 149 30 | (88 001 46) |
| Public safety | 166 829 01 | 8 223 15 | (158 605 86) |
| Public works | <u>146 273 71</u> | <u>13 862 48</u> | <u>(132 411 23)</u> |
| Total Governmental Activities | <u><u>444 581 71</u></u> | <u><u>46 234 93</u></u> | <u><u>(398 346 78)</u></u> |
| General Revenues: | | | |
| Property taxes | | | 268 222 88 |
| State revenue sharing | | | 158 019 11 |
| Interest | | | 38 206 91 |
| Miscellaneous | | | <u>22 996 96</u> |
| Total General Revenues | | | <u>487 445 86</u> |
| Change in net assets | | | 89 099 08 |
| Net assets, beginning of year | | | <u>1 271 435 97</u> |
| Net Assets, End of Year | | | <u><u>1 360 535 05</u></u> |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

| | <u>General</u> | <u>Other Funds</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------------|
| <u>Assets</u> | | | |
| Cash in bank | 949 384 85 | 15 359 52 | 964 744 37 |
| Accounts receivable | 1 851 69 | - | 1 851 69 |
| Taxes receivable | 49 090 65 | - | 49 090 65 |
| Due from other funds | 184 93 | - | 184 93 |
| Total Assets | 1 000 512 12 | 15 359 52 | 1 015 871 64 |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities: | | | |
| Accounts payable | 2 850 05 | - | 2 850 05 |
| Total liabilities | 2 850 05 | - | 2 850 05 |
| Fund equity: | | | |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | 997 662 07 | 15 359 52 | 1 013 021 59 |
| Total fund equity | 997 662 07 | 15 359 52 | 1 013 021 59 |
| Total Liabilities and Fund Equity | 1 000 512 12 | 15 359 52 | 1 015 871 64 |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

| | |
|--|---------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS | 1 013 021 59 |
| Amounts reported for governmental activities in the statement of net assets are different because – | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet: | |
| Capital assets at cost | 590 074 00 |
| Accumulated depreciation | <u>(242 560 54)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES | <u>1 360 535 05</u> |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

| | General | Other Funds | Total |
|---|------------|-------------|--------------|
| Revenues: | | | |
| Property taxes | 268 222 88 | - | 268 222 88 |
| Licenses and permits | 4 910 20 | - | 4 910 20 |
| State revenue sharing | 158 019 11 | - | 158 019 11 |
| Charges for services – PTAF | 16 014 10 | - | 16 014 10 |
| Charges for services – other | 23 810 65 | 200 00 | 24 010 65 |
| Interest | 37 889 71 | 317 20 | 38 206 91 |
| Special assessments | 1 299 98 | - | 1 299 98 |
| Miscellaneous | 22 996 96 | - | 22 996 96 |
| | 533 163 59 | 517 20 | 533 680 79 |
| Total revenues | | | |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 19 328 23 | - | 19 328 23 |
| General government: | | | |
| Supervisor | 15 900 00 | - | 15 900 00 |
| Elections | 5 765 95 | - | 5 765 95 |
| Assessor | 20 379 65 | - | 20 379 65 |
| Clerk | 20 037 47 | - | 20 037 47 |
| Board of Review | 1 371 24 | - | 1 371 24 |
| Treasurer | 17 635 21 | - | 17 635 21 |
| Building and grounds | 15 751 48 | - | 15 751 48 |
| Cemetery | 10 123 66 | - | 10 123 66 |
| Public safety: | | | |
| Ambulance | 10 659 50 | - | 10 659 50 |
| Fire protection | 104 227 37 | - | 104 227 37 |
| Police protection | 11 613 79 | - | 11 613 79 |
| Zoning inspector | 3 065 20 | - | 3 065 20 |
| Planning and zoning | 16 051 31 | - | 16 051 31 |
| Public works: | | | |
| Highways and streets | 125 972 96 | - | 125 972 96 |
| Street lights | 1 807 17 | - | 1 807 17 |
| Sanitation | 18 493 58 | - | 18 493 58 |
| | 418 183 77 | - | 418 183 77 |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | 114 979 82 | 517 20 | 115 497 02 |
| Fund balances, April 1 | 882 682 25 | 14 842 32 | 897 524 57 |
| Fund Balances, March 31 | 997 662 07 | 15 359 52 | 1 013 021 59 |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

| | |
|---|-------------------------|
| NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS | 115 497 02 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation | |
| Depreciation Expense | (26 397 94) |
| Capital Outlay | <u>-</u> |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>89 099 08</u></u> |

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental 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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

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

Permanent Fund

This fund is used to account for perpetual care of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 5.2407 mills, and the taxable value was \$49,279,715.00.

Encumbrances

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

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------------|------------|
| Buildings, additions and improvements | 5-35 years |
| Equipment | 5-25 years |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Note 2 – Budgets and Budgetary Accounting

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

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

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

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

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

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

| | <u>Carrying Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>964 929 30</u> |

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

| | <u>Bank Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC) | 400 000 00 |
| Uninsured and Uncollateralized | <u>561 274 40</u> |
| Total Deposits | <u>961 274 40</u> |

The Township of Clyde did not have any investments as of March 31, 2007.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | <u>Balance</u> 4/1/06 | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> 3/31/07 |
|---------------------------------|--------------------------|---------------------------|------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| Land | 24 475 00 | - | - | 24 475 00 |
| Buildings | 110 158 00 | - | - | 110 158 00 |
| Equipment | <u>455 441 00</u> | <u>-</u> | <u>-</u> | <u>455 441 00</u> |
| Total | 590 074 00 | - | - | 590 074 00 |
| Accumulated Depreciation | <u>(216 162 60)</u> | <u>(26 397 94)</u> | <u>-</u> | <u>(242 560 54)</u> |
| Net Capital Assets | <u><u>373 911 40</u></u> | <u><u>(26 397 94)</u></u> | <u>-</u> | <u><u>347 513 46</u></u> |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

The Township of Clyde does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund</u> <u>Receivable</u> | <u>Fund</u> | <u>Interfund</u> <u>Payable</u> |
|-------------|---------------------------------------|------------------------|------------------------------------|
| General | <u>184 93</u> | Current Tax Collection | <u>184 93</u> |
| Total | <u><u>184 93</u></u> | Total | <u><u>184 93</u></u> |

TOWNSHIP OF CLYDE
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|-------------------|-------------------|--|
| Revenues: | | | | |
| Property taxes | 245 500 00 | 245 500 00 | 268 222 88 | 22 722 88 |
| Licenses and permits | 2 950 00 | 2 950 00 | 4 910 20 | 1 960 20 |
| State revenue sharing | 160 000 00 | 160 000 00 | 158 019 11 | (1 980 89) |
| Charges for services – PTAF | 13 000 00 | 13 000 00 | 16 014 10 | 3 014 10 |
| Charges for services – other | 15 400 00 | 15 400 00 | 23 810 65 | 8 410 65 |
| Interest | 15 100 00 | 15 100 00 | 37 889 71 | 22 789 71 |
| Special assessments | 1 000 00 | 1 000 00 | 1 299 98 | 299 98 |
| Miscellaneous | 17 900 00 | 17 900 00 | 22 996 96 | 5 096 96 |
| Total revenues | 470 850 00 | 470 850 00 | 533 163 59 | 62 313 59 |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 34 350 00 | 34 350 00 | 19 328 23 | (15 021 77) |
| General government: | | | | |
| Supervisor | 17 450 00 | 17 450 00 | 15 900 00 | (1 550 00) |
| Elections | 11 150 00 | 11 150 00 | 5 765 95 | (5 384 05) |
| Assessor | 22 700 00 | 22 700 00 | 20 379 65 | (2 320 35) |
| Clerk | 20 800 00 | 20 800 00 | 20 037 47 | (762 53) |
| Board of Review | 1 850 00 | 1 850 00 | 1 371 24 | (478 76) |
| Treasurer | 19 600 00 | 19 600 00 | 17 635 21 | (1 964 79) |
| Building and grounds | 72 600 00 | 72 600 00 | 15 751 48 | (56 848 52) |
| Cemetery | 15 600 00 | 15 600 00 | 10 123 66 | (5 476 34) |
| Public safety: | | | | |
| Ambulance | 11 750 00 | 11 750 00 | 10 659 50 | (1 090 50) |
| Fire protection | 125 500 00 | 125 500 00 | 104 227 37 | (21 272 63) |
| Police protection | 23 600 00 | 23 600 00 | 11 613 79 | (11 986 21) |
| Zoning inspector | 7 500 00 | 7 500 00 | 3 065 20 | (4 434 80) |
| Planning and zoning | 22 650 00 | 22 650 00 | 16 051 31 | (6 598 69) |
| Public works: | | | | |
| Highways and streets | 338 000 00 | 338 000 00 | 125 972 96 | (212 027 04) |
| Street lights | 2 000 00 | 2 000 00 | 1 807 17 | (192 83) |
| Sanitation | 21 340 00 | 21 340 00 | 18 493 58 | (2 846 42) |
| Total expenditures | 768 440 00 | 768 440 00 | 418 183 77 | (350 256 23) |
| Excess (deficiency) of revenues over expenditures | (297 590 00) | (297 590 00) | 114 979 82 | 412 569 82 |
| Fund balance, April 1 | 297 590 00 | 297 590 00 | 882 682 25 | 585 092 25 |
| Fund Balance, March 31 | - | - | 997 662 07 | 997 662 07 |

TOWNSHIP OF CLYDE
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

| | |
|---------------------------|-----------|
| Township Board: | |
| Fees and per diem | 4 350 00 |
| Supplies | 178 01 |
| Professional services | 5 430 38 |
| Printing and publishing | 471 99 |
| Insurance | 1 644 00 |
| Payroll taxes | 7 111 35 |
| Miscellaneous | 142 50 |
| | 19 328 23 |
| Supervisor: | |
| Salary | 15 825 00 |
| Miscellaneous | 75 00 |
| | 15 900 00 |
| Elections: | |
| Salaries | 3 346 75 |
| Supplies | 523 94 |
| Professional services | 600 50 |
| Printing and publishing | 1 294 76 |
| | 5 765 95 |
| Assessor: | |
| Contracted Services | 16 150 00 |
| Professional services | 785 00 |
| Tax statement preparation | 2 646 82 |
| Miscellaneous | 797 83 |
| | 20 379 65 |
| Clerk: | |
| Salary | 18 550 00 |
| Supplies | 1 487 47 |
| | 20 037 47 |
| Board of Review: | |
| Fees and per diem | 1 125 00 |
| Supplies | 246 24 |
| | 1 371 24 |
| Treasurer: | |
| Salary | 17 225 00 |
| Supplies | 410 21 |
| | 17 635 21 |
| Building and grounds: | |
| Insurance | 5 907 00 |
| Utilities | 5 877 52 |
| Repairs and maintenance | 3 966 96 |
| | 15 751 48 |
| Cemetery: | |
| Wages | 2 070 00 |
| Supplies | 143 10 |
| Repairs and maintenance | 6 035 56 |
| Miscellaneous | 1 875 00 |
| | 10 123 66 |
| Ambulance: | |
| Per diem | 630 00 |
| Contracted services | 10 029 50 |
| | 10 659 50 |

TOWNSHIP OF CLYDE
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

| | |
|-------------------------|-------------------|
| Fire protection: | |
| Wages | 24 807 00 |
| Contracted services | 48 832 08 |
| Insurance | 11 950 44 |
| Utilities | 1 538 27 |
| Repairs and maintenance | 11 529 87 |
| Supplies | 3 812 45 |
| Miscellaneous | 1 757 26 |
| | <u>104 227 37</u> |
| Police protection: | |
| Professional services | 5 099 29 |
| Contracted services | 6 514 50 |
| | <u>11 613 79</u> |
| Zoning Inspector | <u>3 065 20</u> |
| Planning – zoning: | |
| Fees and per diem | 6 715 00 |
| Contracted services | 7 224 51 |
| Printing and publishing | 2 111 80 |
| | <u>16 051 31</u> |
| Highways and streets: | |
| Contracted services | <u>125 972 96</u> |
| Street lighting: | |
| Utilities | <u>1 807 17</u> |
| Sanitary landfill: | |
| Salaries and wages | 3 720 00 |
| Maintenance and repair | 13 729 08 |
| Miscellaneous | 1 044 50 |
| | <u>18 493 58</u> |
| Total Expenditures | <u>418 183 77</u> |

TOWNSHIP OF CLYDE
Allegan County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2007

| | <u>Cemetery Perpetual Care</u> |
|--------------------------------------|------------------------------------|
| <u>Assets</u> | |
| Cash in bank | <u>15 359 52</u> |
| Total Assets | <u><u>15 359 52</u></u> |
| <u>Liabilities and Fund Balances</u> | |
| Liabilities | <u>-</u> |
| Fund balances: Reserved | <u>15 359 52</u> |
| Total Liabilities and Fund Balances | <u><u>15 359 52</u></u> |

TOWNSHIP OF CLYDE
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2007

| | <u>Cemetery Perpetual Care</u> |
|---|------------------------------------|
| Revenues: | |
| Charges for services | 200 00 |
| Interest | <u>317 20</u> |
| Total revenues | <u>517 20</u> |
| Expenditures – Cemetery | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | 517 20 |
| Fund balance, April 1 | <u>14 842 32</u> |
| Fund Balance, March 31 | <u><u>15 359 52</u></u> |

TOWNSHIP OF CLYDE
 Allegan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year ended March 31, 2007

| | <u>Balance</u> <u>4/1/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>3/31/07</u> |
|---------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | <u>171 13</u> | <u>1 444 154 61</u> | <u>1 444 140 81</u> | <u>184 93</u> |
| <u>Liabilities</u> | | | | |
| Due to General Fund | 171 13 | 248 858 19 | 248 844 39 | 184 93 |
| Due to others | <u>-</u> | <u>1 195 296 42</u> | <u>1 195 296 42</u> | <u>-</u> |
| Total Liabilities | <u>171 13</u> | <u>1 444 154 61</u> | <u>1 444 140 81</u> | <u>184 93</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 18, 2007

To the Township Board
Township of Clyde
Allegan County, Michigan

We have audited the financial statements of the Township of Clyde for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

To the Township Board
Township of Clyde
Allegan County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

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

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

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

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

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

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants