

### 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 Township of Byron	County Kent
Fiscal Year End March 31, 2007	Opinion Date September 7, 2007	Date Audit Report Submitted to State September 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.	Telephone Number (269) 381-4970	
Street Address 246 E Kilgore	City Kalamazoo	State MI
		Zip 49002
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen	License Number 1101020724

*Township of Byron*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

---

# CONTENTS

---

	<i>Page</i>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	i - vii
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary funds	10
Statement of revenues, expenses, and changes in net assets - proprietary funds	11
Statement of cash flows - proprietary funds	12 - 13
Statement of fiduciary net assets - Agency Fund	14
Notes to financial statements	15 - 25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	26 - 27
Fire Department Operation and Maintenance Fund	28
Law Enforcement Fund	29
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	30
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	31

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Byron, Michigan**

**We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the 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 U.S. generally accepted auditing standards. 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, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Byron, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. 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.**

**Board of Trustees  
Township of Byron, Michigan  
Page 2**

**Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Byron, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary 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.**

*Sigfried Crandall P.C.*

**September 7, 2007**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Our discussion and analysis of the Township of Byron's (the Township) financial performance provides a narrative 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**

- The Township's total net assets increased by \$4,459,677 (5 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$1,375,608 and net assets of the business-type activities increased by \$3,084,069.
- Of the \$86,711,358 total net assets reported, \$13,718,675 (16 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year is \$2,525,893, which represents 109 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

**Government-wide financial statements**

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

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

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

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

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.
- *Component unit* - The Township includes another entity in its report - the Byron Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

### **Fund financial statements**

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

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

The Township has three kinds of funds:

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

**Township of Byron**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$86,711,358, an increase of 5 percent compared to the prior year. Of this total, \$69,084,023 is invested in capital assets, net of related debt, and \$3,908,660 is restricted for various purposes. Consequently, unrestricted net assets were \$13,718,675, or 16 percent of the total.

Condensed financial information  
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	Current and other assets	\$ 8,396,886	\$ 7,303,634	\$ 9,657,687	\$ 8,747,755	\$18,054,573
Capital assets	<u>8,518,022</u>	<u>8,221,821</u>	<u>61,276,596</u>	<u>59,214,014</u>	<u>69,794,618</u>	<u>67,435,835</u>
<b>Total assets</b>	<b><u>16,914,908</u></b>	<b><u>15,525,455</u></b>	<b><u>70,934,283</u></b>	<b><u>67,961,769</u></b>	<b><u>87,849,191</u></b>	<b><u>83,487,224</u></b>
Long-term debt outstanding	-	-	710,595	865,212	710,595	865,212
Other liabilities	<u>125,754</u>	<u>111,909</u>	<u>301,484</u>	<u>258,422</u>	<u>427,238</u>	<u>370,331</u>
<b>Total liabilities</b>	<b><u>125,754</u></b>	<b><u>111,909</u></b>	<b><u>1,012,079</u></b>	<b><u>1,123,634</u></b>	<b><u>1,137,833</u></b>	<b><u>1,235,543</u></b>
Net assets:						
Invested in capital assets, net of related debt	8,518,022	8,221,821	60,566,001	58,348,802	69,084,023	66,570,623
Restricted	3,248,997	2,472,278	659,663	656,402	3,908,660	3,128,680
Unrestricted	<u>5,022,135</u>	<u>4,719,447</u>	<u>8,696,540</u>	<u>7,832,931</u>	<u>13,718,675</u>	<u>12,552,378</u>
<b>Total net assets</b>	<b><u>\$16,789,154</u></b>	<b><u>\$15,413,546</u></b>	<b><u>\$69,922,204</u></b>	<b><u>\$66,838,135</u></b>	<b><u>\$86,711,358</u></b>	<b><u>\$82,251,681</u></b>

**Changes in net assets.** The Township's total revenues were \$11,964,049. During the current year, nearly 31 percent of the revenues were derived from capital contributions, consisting primarily of utility system improvements. Almost 36 percent come from charges for services, primarily from sewer and water services. Over 14 percent of the total revenues come from property taxes while only 10 percent come from state shared revenue.

**Township of Byron**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The total cost of all the Township's programs, covering a wide range of services, totaled \$7,504,372. Over 59 percent of the Township's total costs relate to the provision of utility services. General government costs account for 15 percent of the Township's total costs and public safety costs account for another 15 percent.

Condensed financial information						
Changes in net assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 505,850	\$ 430,490	\$3,777,115	\$3,091,763	\$4,282,965	\$3,522,253
Operating grants and contributions	81,723	98,772	-	-	81,723	98,772
Capital grants and contributions	353,700	110,185	3,319,257	6,563,127	3,672,957	6,673,312
General revenues:						
Property taxes	1,675,541	1,572,190	-	-	1,675,541	1,572,190
State shared revenue	1,201,782	1,218,614	-	-	1,201,782	1,218,614
Interest on investments	462,650	278,756	408,333	188,226	870,983	466,982
Franchise fees	148,477	125,719	-	-	148,477	125,719
Other	29,621	4,032	-	-	29,621	4,032
<b>Total revenues</b>	<b><u>4,459,344</u></b>	<b><u>3,838,758</u></b>	<b><u>7,504,705</u></b>	<b><u>9,843,116</u></b>	<b><u>11,964,049</u></b>	<b><u>13,681,874</u></b>
Expenses:						
Legislative	20,238	19,377	-	-	20,238	19,377
General government	1,100,117	1,184,991	-	-	1,100,117	1,184,991
Public safety	1,130,285	1,007,683	-	-	1,130,285	1,007,683
Public works	295,902	272,092	-	-	295,902	272,092
Culture and recreation	490,867	414,490	-	-	490,867	414,490
Community and economic development	46,327	89,345	-	-	46,327	89,345
Sewer	-	-	2,349,302	2,092,152	2,349,302	2,092,152
Water	-	-	1,821,734	2,008,316	1,821,734	2,008,316
Building inspections	-	-	249,600	252,736	249,600	252,736
Special item - transfer of assets	-	-	-	1,117,633	-	1,117,633
<b>Total expenses</b>	<b><u>3,083,736</u></b>	<b><u>2,987,978</u></b>	<b><u>4,420,636</u></b>	<b><u>5,470,837</u></b>	<b><u>7,504,372</u></b>	<b><u>8,458,815</u></b>
<b>Increase in net assets</b>	<b><u>\$1,375,608</u></b>	<b><u>\$ 850,780</u></b>	<b><u>\$3,084,069</u></b>	<b><u>\$4,372,279</u></b>	<b><u>\$4,459,677</u></b>	<b><u>\$5,223,059</u></b>

**Governmental activities**

Governmental activities increased the Township's net assets by \$1,375,608. The key elements of this increase include:

- The Township received \$353,700 in capital grants from other local units of government to finance certain capital acquisitions.

**Governmental activities (Continued)**

- Interest revenue increased by \$183,894 due to higher interest rates.
- Property tax revenue increased by nearly 7 percent due to increased taxable values created by residential growth which accounted for \$103,351 of the increase.

The cost of all governmental activities this year was \$3,083,736. After subtracting the direct charges to those who directly benefited from the programs \$(505,850), and operating and capital grants \$(435,423), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$2,142,463.

**Business-type activities**

Business-type activities increased the Township's net assets by \$3,084,069. The increase was primarily the result of developer capital contributions in the amount of \$2,950,000.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$8,271,132, an increase of \$1,079,407 in comparison with the prior year. The increase occurred because the growth in revenues, primarily property taxes and interest income, outpaced the increase in expenditures. Of the total fund balances, \$7,937,033 (96 percent) constitutes unreserved fund balance, which is available for spending at the Board's discretion. The remainder of fund balance, in the amount of \$334,099, is reserved to indicate that it is not available for new spending because it is legally restricted for street lighting expenditures.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$2,525,893, which represents 109 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance decreased by \$106,142 during the fiscal year primarily because \$495,000 was transferred to other funds.

The Fire Department Operation and Maintenance Fund has a fund balance of \$482,519 which represents an increase of \$28,096 in comparison with the prior year. While expenditures increased by almost \$86,000, property tax revenue and interest earnings were still sufficient to cover the fund's expenditures in the current year.

The Law Enforcement Fund has a fund balance of \$1,012,193, which represents an increase of \$114,499 in comparison with the prior year. The fund's property tax revenue of \$437,171 was sufficient to cover the fund's expenditures of \$414,021 in the current year.

**Proprietary funds**

The Sewer Fund experienced an operating loss of \$886,235, but an increase in net assets in the amount of \$1,669,610 primarily due to noncash developer contributions totaling \$1,890,000. Net assets were \$41,729,849 at year end while working capital amounted to \$4,501,764.

**Proprietary funds (continued)**

The Water Fund experienced an operating loss of \$309,321, but an increase in net assets of \$1,430,687 primarily due capital contributions totaling \$1,348,077, which includes noncash developer contributions totaling \$1,060,000. Net assets were \$27,727,034 at year end while working capital amounted to \$3,653,833.

The Building Inspections Fund experienced an operating loss of \$16,228. Net assets were \$465,321 at year end.

**General Fund budgetary highlights**

General Fund revenues, principally charges for services and interest income, were \$359,008 more than budgeted. Interest income was significantly higher than anticipated due to the higher interest rates earned on our deposits and charges from services were more than expected due to the growth of our recreation department. General Fund expenditures were \$227,117 less than the amounts appropriated, which resulted in a \$586,125 positive budget variance, and a \$175,825 decrease in fund balance compared to a budgeted \$761,950 decrease.

The Township did not amend the General Fund budget during the fiscal year. The actual expenditures of one functional category, culture and recreation, exceeded the amounts appropriated by \$43,938. The budget variance was caused by unexpected increases in salaries for part-time recreation employees, summer recreation employees and referees/umpires. During the year we increased the number of recreational programs and the budgeted amounts were estimates of program participation.

**Capital assets and debt administration**

*Capital assets*

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$69,794,617 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, fire equipment, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$2,358,782.

Major capital asset events during the current fiscal year included the following:

- Continued expansion of the sewer and water systems totaling \$3,566,976
- Road improvements, which are considered intangible assets, amounting to \$415,013
- The acquisition of a used fire truck for \$87,500
- The addition of a skate park at the Township Hall with a total cost of \$61,358

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Capital assets and debt administration (continued)**

*Long-term debt*

At the end of the fiscal year, the Township had total noncurrent liabilities outstanding in the amount of \$710,595, which represents a decrease of \$154,617. The sewer and water funds are solely responsible for repayment of these obligations.

During the year ended March 31, 2007, the Township decreased its long-term debt through principal payments on its 1992 tax increment bonds that are financed by taxes captured through the Local Development Finance Authority and accounted for in the Water Fund. The retirements in 2007 amounted to \$125,000. The Sewer Fund also retired \$29,617 of its obligations related to contracts payable.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the notes to the basic financial statements.

**Economic condition and outlook**

Byron Township's economic outlook is still strong into the next fiscal year. Property tax revenues will continue to rise due to construction of new residential, commercial and industrial buildings and an increase in assessed values. Interest rates continue to rise which will increase interest revenues and add to total revenues. A portion of the unrestricted net assets will be used in fiscal year 2007-2008 for new projects including a Senior Center/Recreation Building. Salaries increased 3% on average.

The opening of Saint Mary's Health Center and Metro Health Village will increase the value of the Township and will attract new residents and businesses and will continue the growth and vitality of the Township.

**Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Joel Hondorp, Township Clerk  
Township of Byron  
8085 Byron Center Avenue, SE  
Byron Center, MI 49315

Phone: (616) 878-9104

## **BASIC FINANCIAL STATEMENTS**

**Township of Byron**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<u>Primary government</u>			<u>Component Unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 4,532,924	\$ 3,869,831	\$ 8,402,755	\$ 12,011
Cash - restricted	-	194,342	194,342	-
Investments	3,512,923	4,467,853	7,980,776	-
Receivables	351,039	519,992	871,031	-
Total current assets	<u>8,396,886</u>	<u>9,052,018</u>	<u>17,448,904</u>	<u>12,011</u>
Noncurrent assets:				
Receivables	-	605,669	605,669	-
Capital assets not being depreciated - land	463,176	-	463,176	-
Capital assets, net of depreciation	<u>8,054,846</u>	<u>61,276,596</u>	<u>69,331,442</u>	<u>-</u>
Total noncurrent assets	<u>8,518,022</u>	<u>61,882,265</u>	<u>70,400,287</u>	<u>-</u>
Total assets	<u>16,914,908</u>	<u>70,934,283</u>	<u>87,849,191</u>	<u>12,011</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	94,979	301,484	396,463	-
Deferred revenue	30,775	-	30,775	-
Bonds and contracts payable	-	129,617	129,617	-
Total current liabilities	125,754	431,101	556,855	-
Noncurrent liabilities - bonds and contracts payable	-	580,978	580,978	-
Total liabilities	<u>125,754</u>	<u>1,012,079</u>	<u>1,137,833</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,518,022	60,566,001	69,084,023	-
Restricted for:				
Public safety	1,494,712	465,321	1,960,033	-
Public works	334,099	-	334,099	-
Culture and recreation	464,160	-	464,160	-
Capital outlay	956,026	-	956,026	-
Debt service	-	194,342	194,342	-
Unrestricted	<u>5,022,135</u>	<u>8,696,540</u>	<u>13,718,675</u>	<u>12,011</u>
Total net assets	<u>\$ 16,789,154</u>	<u>\$ 69,922,204</u>	<u>\$ 86,711,358</u>	<u>\$ 12,011</u>

See notes to the financial statements

**Township of Byron**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 20,238	\$ -	\$ -	\$ -
General government	1,100,117	130,001	-	-
Public safety	1,130,285	-	81,723	43,750
Public works	295,902	216,875	-	-
Community and economic development	46,327	33,042	-	-
Culture and recreation	490,867	125,932	-	309,950
Total governmental activities	<u>3,083,736</u>	<u>505,850</u>	<u>81,723</u>	<u>353,700</u>
Business-type activities:				
Sewer	2,349,302	1,857,564	-	1,971,180
Water	1,821,734	1,686,179	-	1,348,077
Building inspections	249,600	233,372	-	-
Total business-type activities	<u>4,420,636</u>	<u>3,777,115</u>	<u>-</u>	<u>3,319,257</u>
Total primary government	<u>\$ 7,504,372</u>	<u>\$ 4,282,965</u>	<u>\$ 81,723</u>	<u>\$ 3,672,957</u>
<b>Component unit</b>				
Downtown Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
State shared revenue  
Unrestricted interest income  
Cable franchise fees  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<u>Net (expenses) revenues and changes in net assets</u>			
<u>Primary government</u>			<u>Component Unit</u>
<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
\$ (20,238)		\$ (20,238)	
(970,116)		(970,116)	
(1,004,812)		(1,004,812)	
(79,027)		(79,027)	
(13,285)		(13,285)	
<u>(54,985)</u>		<u>(54,985)</u>	
<u>(2,142,463)</u>		<u>(2,142,463)</u>	
	\$ 1,479,442	1,479,442	
	1,212,522	1,212,522	
	<u>(16,228)</u>	<u>(16,228)</u>	
	<u>2,675,736</u>	<u>2,675,736</u>	
<u>(2,142,463)</u>	<u>2,675,736</u>	<u>533,273</u>	
<u>-</u>			\$ <u>-</u>
1,675,541	-	1,675,541	7,091
1,201,782	-	1,201,782	-
462,650	408,333	870,983	24
148,477	-	148,477	-
<u>29,621</u>	<u>-</u>	<u>29,621</u>	<u>4,896</u>
<u>3,518,071</u>	<u>408,333</u>	<u>3,926,404</u>	<u>12,011</u>
1,375,608	3,084,069	4,459,677	12,011
<u>15,413,546</u>	<u>66,838,135</u>	<u>82,251,681</u>	<u>-</u>
<u>\$ 16,789,154</u>	<u>\$ 69,922,204</u>	<u>\$ 86,711,358</u>	<u>\$ 12,011</u>

See notes to the financial statements

**Township of Byron**  
**BALANCE SHEET - governmental funds**  
 March 31, 2007

	<b>Major funds</b>		
	<b>General</b>	<b>Fire Department Operation and Maintenance</b>	<b>Law Enforcement</b>
<b>ASSETS</b>			
Cash	\$ 1,605,214	\$ 453,527	\$ 731,625
Investments	1,079,737	-	285,926
Receivables	253,405	42,976	31,476
Due from other funds	1,848	13,666	-
Total assets	<u>\$ 2,940,204</u>	<u>\$ 510,169</u>	<u>\$ 1,049,027</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 30,929	\$ 27,650	\$ 34,986
Due to other funds	18,508	-	1,848
Deferred revenue	30,775	-	-
Total liabilities	<u>80,212</u>	<u>27,650</u>	<u>36,834</u>
Fund balances:			
Reserved for street lighting	334,099	-	-
Unreserved	2,525,893	482,519	1,012,193
Unreserved, reported in nonmajor - special revenue funds	-	-	-
Total fund balances	<u>2,859,992</u>	<u>482,519</u>	<u>1,012,193</u>
Total liabilities and fund balances	<u>\$ 2,940,204</u>	<u>\$ 510,169</u>	<u>\$ 1,049,027</u>

Total fund balances - all governmental funds

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 funds.

Net assets of *governmental activities* (page 5)

<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ 1,742,558	\$ 4,532,924
2,147,260	3,512,923
23,182	351,039
<u>4,842</u>	<u>20,356</u>
<u>\$ 3,917,842</u>	<u>\$ 8,417,242</u>
\$ 1,414	\$ 94,979
-	20,356
-	<u>30,775</u>
<u>1,414</u>	<u>146,110</u>
-	334,099
-	4,020,605
<u>3,916,428</u>	<u>3,916,428</u>
<u>3,916,428</u>	<u>8,271,132</u>
<u>\$ 3,917,842</u>	<u>\$ 8,417,242</u>
	\$ 8,271,132
	<u>8,518,022</u>
	<u>\$ 16,789,154</u>

See notes to the financial statements

*Township of Byron*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

*Year ended March 31, 2007*

	<i>Major funds</i>		
	<i>General</i>	<i>Fire Department Operation and Maintenance</i>	<i>Law Enforcement</i>
<b>REVENUES</b>			
Property taxes	\$ 601,379	\$ 517,167	\$ 437,171
Licenses and permits	148,477	-	4,870
State grants	1,201,782	-	-
Intergovernmental	60,000	30,257	42,555
Charges for services	224,341	-	-
Fines and forfeitures	18,850	-	-
Interest and rentals	256,894	18,633	43,924
Other:			
Special assessment - street lighting	156,875	-	-
Miscellaneous	39,610	1,021	-
Total revenues	<u>2,708,208</u>	<u>567,078</u>	<u>528,520</u>
<b>EXPENDITURES</b>			
Legislative	20,238	-	-
General government	1,026,559	-	-
Public safety	-	538,982	414,021
Public works	696,681	-	-
Community and economic development	46,327	-	-
Culture and recreation	365,038	-	-
Capital outlay	164,507	-	-
Total expenditures	<u>2,319,350</u>	<u>538,982</u>	<u>414,021</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>388,858</u>	<u>28,096</u>	<u>114,499</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(495,000)	-	-
Total other financing sources (uses)	<u>(495,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(106,142)	28,096	114,499
<b>FUND BALANCES - BEGINNING</b>	<u>2,966,134</u>	<u>454,423</u>	<u>897,694</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,859,992</u>	<u>\$ 482,519</u>	<u>\$ 1,012,193</u>

<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ 145,868	\$ 1,701,585
-	153,347
-	1,201,782
313,991	446,803
-	224,341
-	18,850
150,329	469,780
-	156,875
<u>1,600</u>	<u>42,231</u>
<u>611,788</u>	<u>4,415,594</u>
-	20,238
-	1,026,559
-	953,003
-	696,681
-	46,327
-	365,038
<u>63,834</u>	<u>228,341</u>
<u>63,834</u>	<u>3,336,187</u>
<u>547,954</u>	<u>1,079,407</u>
495,000	495,000
<u>-</u>	<u>(495,000)</u>
<u>495,000</u>	<u>-</u>
1,042,954	1,079,407
<u>2,873,474</u>	<u>7,191,725</u>
<u>\$ 3,916,428</u>	<u>\$ 8,271,132</u>

See notes to the financial statements

*Township of Byron*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2007*

---

Net changes in fund balances - total governmental funds (page 8) \$ 1,079,407

Amounts reported for *governmental activities* in the statement of activities are 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 as depreciation expense.

Add - capital outlay	639,043
Deduct - depreciation expense	<u>(342,842)</u>

Change in net assets of *governmental activities* (page 6) \$ 1,375,608

**Township of Byron**  
**STATEMENT OF NET ASSETS - proprietary funds**  
 March 31, 2007

	<u>Major funds</u>		<u>Building</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,768,236	\$ 1,636,274	\$ 465,321	\$ 3,869,831
Cash - restricted for debt service	-	194,342	-	194,342
Investments	2,636,733	1,831,120	-	4,467,853
Receivables	266,102	253,890	-	519,992
Total current assets	<u>4,671,071</u>	<u>3,915,626</u>	<u>465,321</u>	<u>9,052,018</u>
Noncurrent assets:				
Receivables	309,927	295,742	-	605,669
Capital assets, net of accumulated depreciation	<u>37,049,136</u>	<u>24,227,460</u>	<u>-</u>	<u>61,276,596</u>
Total noncurrent assets	<u>37,359,063</u>	<u>24,523,202</u>	<u>-</u>	<u>61,882,265</u>
Total assets	<u>42,030,134</u>	<u>28,438,828</u>	<u>465,321</u>	<u>70,934,283</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	139,690	161,794	-	301,484
Contracts payable	29,617	-	-	29,617
Bonds payable	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	<u>169,307</u>	<u>261,794</u>	<u>-</u>	<u>431,101</u>
Noncurrent liabilities:				
Contracts payable	130,978	-	-	130,978
Bonds payable	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Total noncurrent liabilities	<u>130,978</u>	<u>450,000</u>	<u>-</u>	<u>580,978</u>
Total liabilities	<u>300,285</u>	<u>711,794</u>	<u>-</u>	<u>1,012,079</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	36,888,541	23,677,460	-	60,566,001
Restricted for:				
Public safety	-	-	465,321	465,321
Debt service	-	194,342	-	194,342
Unrestricted	<u>4,841,308</u>	<u>3,855,232</u>	<u>-</u>	<u>8,696,540</u>
Total net assets	<u>\$ 41,729,849</u>	<u>\$ 27,727,034</u>	<u>\$ 465,321</u>	<u>\$ 69,922,204</u>

See notes to the financial statements

**Township of Byron**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
Year ended March 31, 2007

	<u>Major funds</u>		<u>Building</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,463,067	\$ 1,478,838	\$ 233,372	\$ 3,175,277
<b>OPERATING EXPENSES</b>				
Personnel costs	43,015	43,015	193,897	279,927
Sewage treatment charges	1,126,923	-	-	1,126,923
Water charges	-	716,978	-	716,978
Operation and maintenance	168,427	324,161	14,396	506,984
Professional services	53,236	52,448	27,460	133,144
Miscellaneous	31,705	73,159	13,847	118,711
Depreciation	925,996	578,398	-	1,504,394
Total operating expenses	2,349,302	1,788,159	249,600	4,387,061
Operating loss	(886,235)	(309,321)	(16,228)	(1,211,784)
<b>NONOPERATING REVENUES</b>				
<b>(EXPENSE)</b>				
Trunkage and availability fees	375,126	186,604	-	561,730
Interest revenue	190,168	218,165	-	408,333
Special assessment interest	19,371	20,737	-	40,108
Interest expense	-	(33,575)	-	(33,575)
Total nonoperating revenues	584,665	391,931	-	976,596
Income (loss) before capital contributions	(301,570)	82,610	(16,228)	(235,188)
<b>CAPITAL CONTRIBUTIONS</b>				
Developers and others	1,971,180	1,157,086	-	3,128,266
Tax increment financing	-	190,991	-	190,991
Total capital contributions	1,971,180	1,348,077	-	3,319,257
<b>CHANGES IN NET ASSETS</b>	1,669,610	1,430,687	(16,228)	3,084,069
<b>NET ASSETS - BEGINNING</b>	40,060,239	26,296,347	481,549	66,838,135
<b>NET ASSETS - ENDING</b>	\$ 41,729,849	\$ 27,727,034	\$ 465,321	\$ 69,922,204

See notes to the financial statements

**Township of Byron**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2007

	<u>Major funds</u>		<u>Building</u>	<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,534,479	\$ 1,466,680	\$ 233,372	\$ 3,234,531
Payments to vendors and suppliers	(1,330,801)	(1,170,173)	(55,703)	(2,556,677)
Payments to employees	(43,015)	(43,015)	(193,897)	(279,927)
Net cash provided by (used in) operating activities	<u>160,663</u>	<u>253,492</u>	<u>(16,228)</u>	<u>397,927</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Collections of assessments receivable	80,494	116,333	-	196,827
Special assessment interest	19,371	20,737	-	40,108
Trunkage and availability fees	375,126	186,604	-	561,730
Capital contributions	-	190,991	-	190,991
Acquisition of capital assets	(74,710)	(542,266)	-	(616,976)
Principal payments on capital debt	(29,617)	(125,000)	-	(154,617)
Interest payments on capital debt	-	(36,575)	-	(36,575)
Net cash provided by (used in) capital and related financing activities	<u>370,664</u>	<u>(189,176)</u>	<u>-</u>	<u>181,488</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net increase in investments	(123,442)	(9,202)	-	(132,644)
Interest received	190,168	218,165	-	408,333
Net cash provided by investing activities	<u>66,726</u>	<u>208,963</u>	<u>-</u>	<u>275,689</u>
<b>NET INCREASE (DECREASE) IN CASH</b>				
	598,053	273,279	(16,228)	855,104
<b>CASH - BEGINNING</b>				
(including \$174,853 in restricted accounts reported in the Water Fund)	<u>1,170,183</u>	<u>1,557,337</u>	<u>481,549</u>	<u>3,209,069</u>
<b>CASH - ENDING</b>				
(including \$194,342 in restricted accounts reported in the Water Fund)	<u>\$ 1,768,236</u>	<u>\$ 1,830,616</u>	<u>\$ 465,321</u>	<u>\$ 4,064,173</u>

See notes to the financial statements

**Township of Byron**  
**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**  
Year ended March 31, 2007

	<u>Major funds</u>			<u>Totals</u>
	<u>Sewer</u>	<u>Water</u>	<u>Building Inspections</u>	
<b>Noncash capital and related financing activities:</b>				
Acquisition of capital assets	\$ (1,964,710)	\$ (1,602,266)	\$ -	\$ (3,566,976)
Less capital assets contributed by developers	<u>1,890,000</u>	<u>1,060,000</u>	<u>-</u>	<u>2,950,000</u>
Net cash used	<u>\$ (74,710)</u>	<u>\$ (542,266)</u>	<u>\$ -</u>	<u>\$ (616,976)</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>				
Operating loss	\$ (886,235)	\$ (309,321)	\$ (16,228)	\$ (1,211,784)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	925,996	578,398	-	1,504,394
(Increase) decrease in receivables	71,412	(12,158)	-	59,254
Increase (decrease) in payables	<u>49,490</u>	<u>(3,427)</u>	<u>-</u>	<u>46,063</u>
Net cash provided by (used in) operating activities	<u>\$ 160,663</u>	<u>\$ 253,492</u>	<u>\$ (16,228)</u>	<u>\$ 397,927</u>

See notes to the financial statements

**Township of Byron**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*March 31, 2007*

---

**ASSETS**

Cash \$ 184,576

**LIABILITIES**

Payables \$ 184,576

*See notes to the financial statements*

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Byron, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township and its component units, entities for which the Township is considered financially accountable.

*Discretely-presented component unit:*

The Byron Township Downtown Development Authority (the Authority) is presented in separate columns in the financial statements to emphasize that it is legally separate from the Township. Separate financial statements for the Authority have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The Authority's governing body is appointed by the Township Board and its budget must be approved by the Township Board.

*Blended component unit:*

The Byron Township Local Development Finance Authority (the Authority) is governed by a separate board appointed by the Township Board. Although it is legally separate, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct water system facilities within the Township.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. 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.

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 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 government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary 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 revenues 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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Fire Department Operation and Maintenance Fund accounts for all the financial resources used by the Township to provide fire protection services. Revenues are primarily derived from property taxes.

The Law Enforcement Fund accounts for all the financial resources used by the Township to provide police protection services. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.  
The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). 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 Township has elected not to follow subsequent private-sector standards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due 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." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems and shared road costs), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 100 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Sewer and water systems	50 years

v) *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.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information:*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations:*

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Culture and recreation	\$321,100	\$365,038	\$ 43,938
Fire Department Operation and Maintenance	Public safety	536,700	538,982	2,282

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS:**

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Component Unit</u>	<u>Totals</u>
Cash on hand	\$ 100	\$ -	\$ -	\$ -	\$ 100
Cash	4,532,824	3,869,831	184,576	12,011	8,599,242
Cash - restricted	-	194,342	-	-	194,342
Investments	<u>3,512,923</u>	<u>4,467,853</u>	<u>-</u>	<u>-</u>	<u>7,980,776</u>
Total	<u>\$ 8,045,847</u>	<u>\$ 8,532,026</u>	<u>\$ 184,576</u>	<u>\$ 12,011</u>	<u>\$ 16,774,460</u>

*Deposits with financial institutions:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2007, \$8,425,868 of the Township's bank balances of \$8,825,868 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

*Investments:*

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Interest</u>	<u>Inter-governmental</u>	<u>Special assessments</u>	<u>Totals</u>
<b>Governmental funds:</b>						
General	\$ 17,329	\$ 16,514	\$ -	\$ 219,562	\$ -	\$ 253,405
Fire Operation and Maintenance	-	12,719	-	30,257	-	42,976
Law Enforcement	-	10,751	4,334	16,391	-	31,476
Nonmajor governmental funds	-	3,587	15,554	4,041	-	23,182
<b>Total governmental funds</b>	<b>\$ 17,329</b>	<b>\$ 43,571</b>	<b>\$ 19,888</b>	<b>\$ 270,251</b>	<b>\$ -</b>	<b>\$ 351,039</b>
<b>Proprietary funds:</b>						
Sewer	\$ 211,402	\$ -	\$ -	\$ -	\$ 364,627	\$ 576,029
Water	198,090	-	-	-	351,542	549,632
<b>Total proprietary funds</b>	<b>\$ 409,492</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 716,169</b>	<b>\$ 1,125,661</b>
<b>Noncurrent portion</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 605,669</b>	<b>\$ 605,669</b>

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 463,176	\$ -	\$ -	\$ 463,176
Capital assets being depreciated:				
Land improvements	2,906,748	72,108	-	2,978,856
Buildings	4,556,377	-	-	4,556,377
Equipment and vehicles	2,727,859	151,922	-	2,879,781
Shared road costs	105,799	415,013	-	520,812
Subtotal	10,296,783	639,043	-	10,935,826
Less accumulated depreciation:				
Land improvements	(321,586)	(60,978)	-	(382,564)
Buildings	(964,371)	(92,207)	-	(1,056,578)
Equipment and vehicles	(1,251,005)	(175,423)	-	(1,426,428)
Shared road costs	(1,176)	(14,234)	-	(15,410)
Subtotal	(2,538,138)	(342,842)	-	(2,880,980)
Total capital assets being depreciated, net	7,758,645	296,201	-	8,054,846
Governmental activities capital assets, net	\$ 8,221,821	\$ 296,201	\$ -	\$ 8,518,022
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 45,317,453	\$ 1,964,710	\$ -	\$ 47,282,163
Water system	28,118,792	1,602,266	-	29,721,058
Subtotal	73,436,245	3,566,976	-	77,003,221
Less accumulated depreciation:				
Sewer system	(9,307,031)	(925,996)	-	(10,233,027)
Water system	(4,915,200)	(578,398)	-	(5,493,598)
Subtotal	(14,222,231)	(1,504,394)	-	(15,726,625)
Business-type activities capital assets, net	\$ 59,214,014	\$ 2,062,582	\$ -	\$ 61,276,596

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 56,133
Public safety	157,198
Public works	14,234
Culture and recreation	<u>115,277</u>
 Total governmental activities	 <u>\$ 342,842</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2007, noncurrent liabilities are comprised of the following individual issues:

Business-type activities:	
Bonds:	
\$1,385,000 1992 Local Development Finance Authority tax increment bonds due in annual installments ranging from \$50,000 to \$200,000, plus interest at 5.5% to 6.0%; final payment due May 2011	\$ 550,000
Contracts:	
\$171,070 2003 Sewer contract payable to developer due in annual installments of \$17,107; final payment due September 2011	75,060
\$125,101 2003 Sewer contract payable to developer due in annual installments of \$12,510; final payment due September 2012	<u>85,535</u>
 Total business-type activities noncurrent liabilities	 <u>\$ 710,595</u>

Noncurrent liability activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Business-type activities:					
1992 Water tax increment bonds	\$ 675,000	\$ -	\$ 125,000	\$ 550,000	\$ 100,000
2003 Sewer contract payable	102,642	-	12,510	90,132	12,510
2003 Sewer contract payable	<u>87,570</u>	<u>-</u>	<u>17,107</u>	<u>70,463</u>	<u>17,107</u>
 Total noncurrent liabilities	 <u>\$ 865,212</u>	 <u>\$ -</u>	 <u>\$ 154,617</u>	 <u>\$ 710,595</u>	 <u>\$ 129,617</u>

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2007, debt service requirements were as follows:

<i>Year ended</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
<i>March 31:</i>		
2008	\$ 129,617	\$ 44,950
2009	129,617	39,000
2010	229,617	30,000
2011	179,617	30,000
2012	29,617	-
2013	12,510	-
Totals	<u>\$ 710,595</u>	<u>\$ 143,950</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

	<i>Accounts</i>	<i>Payroll</i>	<i>Inter-governmental</i>	<i>Interest</i>	<i>Totals</i>
Governmental activities:					
General	\$ 30,929	\$ -	\$ -	\$ -	\$ 30,929
Fire operation and maintenance	12,914	14,736	-	-	27,650
Law Enforcement	-	-	34,986	-	34,986
Nonmajor governmental funds	1,414	-	-	-	1,414
Totals	<u>\$ 45,257</u>	<u>\$ 14,736</u>	<u>\$ 34,986</u>	<u>\$ -</u>	<u>\$ 94,979</u>
Business-type activities:					
Proprietary funds:					
Sewer	\$ 139,690	\$ -	\$ -	-	\$ 139,690
Water	147,794	-	-	14,000	161,794
Totals	<u>\$ 287,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>14,000</u>	<u>\$ 301,484</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Township of Byron**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 1,848	Law Enforcement	\$ 1,848
Nonmajor governmental funds	<u>18,508</u>	General	<u>18,508</u>
Totals	<u>\$ 20,356</u>	Totals	<u>\$ 20,356</u>

The interfund balances represent temporary cash flow assistance. All amounts are to be repaid in the subsequent year.

The following interfund transfers occurred during the year ended March 31, 2007:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Nonmajor governmental	<u>\$ 495,000</u>	General	<u>\$ 495,000</u>

The transfers out of the General Fund represent unrestricted revenues collected in the General Fund to finance anticipated future capital projects including the construction of a recreational facility and trails in accordance with budgetary authorizations.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 10.5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$50,577 for the year ended March 31, 2007.

**NOTE 11 - JOINT VENTURE:**

*Byron-Gaines Utility Authority:*

The Township is a member of the Byron-Gaines Utility Authority (the Authority), which is a joint venture of the Townships of Byron and Gaines. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to jointly provide water and sewer services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2007, the Township contributed \$492,589 as its proportionate share of the Authority's capital costs and other administrative expenses. The Sewer Fund and Water Fund contributed \$168,428 and \$324,161, respectively.

**NOTE 12 - CONTINGENCIES:**

The Township is contingently liable for paybacks of availability and trunkage fees to various developers. In accordance with the development agreements, the Township must make paybacks when additional customers connect to the utility systems. At March 31, 2007, the Township is contingently liable for payments to developers in the amounts of \$97,317 and \$489,658 in the Sewer Fund and Water Fund, respectively. During the year ended March 31, 2007, the Township made payments to developers, in accordance with these development agreements, in the amounts of \$15,176 and \$52,436 in the Sewer Fund and Water Fund, respectively. These agreements terminate on various dates between 2008 and 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Byron**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 582,500	\$ 582,500	\$ 601,379	\$ 18,879
Licenses and permits	115,500	115,500	148,477	32,977
State grants	1,200,000	1,200,000	1,201,782	1,782
Intergovernmental	65,000	65,000	60,000	(5,000)
Charges for services	155,000	155,000	224,341	69,341
Fines and forfeitures	-	-	18,850	18,850
Interest and rentals	66,000	66,000	256,894	190,894
Other:				
Street lighting assessment	130,000	130,000	156,875	26,875
Miscellaneous	35,200	35,200	39,610	4,410
Total revenues	<u>2,349,200</u>	<u>2,349,200</u>	<u>2,708,208</u>	<u>359,008</u>
<b>EXPENDITURES</b>				
Legislative	<u>21,650</u>	<u>21,650</u>	<u>20,238</u>	<u>1,412</u>
General government:				
Supervisor	60,800	60,800	60,291	509
Elections	29,600	29,600	21,970	7,630
Assessor	97,100	97,100	95,518	1,582
Professional fees	178,000	178,000	65,881	112,119
Clerk	85,500	85,500	86,220	(720)
Treasurer	91,000	91,000	91,012	(12)
Building and grounds	115,350	115,350	103,190	12,160
Cemeteries	38,200	38,200	37,329	871
General administration	525,850	525,850	465,148	60,702
Total general government	<u>1,221,400</u>	<u>1,221,400</u>	<u>1,026,559</u>	<u>194,841</u>
Public works:				
Drain maintenance	65,000	65,000	69,457	(4,457)
Hydrant rental	11,000	11,000	10,940	60
Road construction and maintenance	550,500	550,500	500,088	50,412
Street lighting	120,000	120,000	116,196	3,804
Total public works	<u>746,500</u>	<u>746,500</u>	<u>696,681</u>	<u>49,819</u>

**Township of Byron**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	\$ 106,100	\$ 106,100	\$ 46,327	\$ 59,773
Culture and recreation:				
Parks	123,500	123,500	141,519	(18,019)
Recreation	158,500	158,500	181,937	(23,437)
Library	39,100	39,100	41,582	(2,482)
Total culture and recreation	<u>321,100</u>	<u>321,100</u>	<u>365,038</u>	<u>(43,938)</u>
Capital outlay	<u>199,400</u>	<u>199,400</u>	<u>164,507</u>	<u>34,893</u>
Total expenditures	<u>2,616,150</u>	<u>2,616,150</u>	<u>2,319,350</u>	<u>296,800</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(266,950)	(266,950)	388,858	655,808
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(495,000)</u>	<u>(495,000)</u>	<u>(495,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(761,950)	(761,950)	(106,142)	655,808
<b>FUND BALANCES - BEGINNING</b>	<u>2,966,134</u>	<u>2,966,134</u>	<u>2,966,134</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,204,184</u>	<u>\$ 2,204,184</u>	<u>\$ 2,859,992</u>	<u>\$ 655,808</u>

**Township of Byron**  
**BUDGETARY COMPARISON SCHEDULE - Fire Department Operation and**  
**Maintenance Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 515,000	\$ 515,000	\$ 517,167	\$ 2,167
Intergovernmental	30,000	30,000	30,257	257
Interest	6,000	6,000	18,633	12,633
Other	-	-	1,021	1,021
Total revenues	<u>551,000</u>	<u>551,000</u>	<u>567,078</u>	<u>16,078</u>
<b>EXPENDITURES</b>				
Public safety:				
Byron Fire Department	230,900	230,900	237,244	(6,344)
Cutlerville Fire Department	<u>305,800</u>	<u>305,800</u>	<u>301,738</u>	<u>4,062</u>
Total expenditures	<u>536,700</u>	<u>536,700</u>	<u>538,982</u>	<u>(2,282)</u>
<b>NET CHANGES IN FUND BALANCES</b>	14,300	14,300	28,096	13,796
<b>FUND BALANCES - BEGINNING</b>	<u>454,423</u>	<u>454,423</u>	<u>454,423</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 468,723</u>	<u>\$ 468,723</u>	<u>\$ 482,519</u>	<u>\$ 13,796</u>

**Township of Byron**  
**BUDGETARY COMPARISON SCHEDULE - Law Enforcement**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 450,000	\$ 450,000	\$ 437,171	\$ (12,829)
Licenses	5,000	5,000	4,870	(130)
Intergovernmental	46,000	46,000	42,555	(3,445)
Interest	14,000	14,000	43,924	29,924
	<u>515,000</u>	<u>515,000</u>	<u>528,520</u>	<u>13,520</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Police protection	400,000	400,000	389,082	10,918
Crossing guard	20,000	20,000	19,939	61
Community wellness	5,000	5,000	5,000	-
	<u>425,000</u>	<u>425,000</u>	<u>414,021</u>	<u>10,918</u>
Total expenditures				
<b>NET CHANGES IN FUND BALANCES</b>	90,000	90,000	114,499	24,438
<b>FUND BALANCES - BEGINNING</b>	<u>897,694</u>	<u>897,694</u>	<u>897,694</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 987,694</u>	<u>\$ 987,694</u>	<u>\$ 1,012,193</u>	<u>\$ 24,438</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Byron**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 March 31, 2007

	<b>Special revenue funds</b>				<b>Total other governmental funds</b>
	<b>Fire Department Capital Outlay</b>	<b>Trails</b>	<b>Public Improvement</b>	<b>Improvement Revolving</b>	
<b>ASSETS</b>					
Cash	\$ 929,416	\$ 464,160	\$ 348,982	\$ -	\$ 1,742,558
Investments	-	-	539,927	1,607,333	2,147,260
Receivables	23,182	-	-	-	23,182
Due from other funds	4,842	-	-	-	4,842
<b>Total assets</b>	<b>\$ 957,440</b>	<b>\$ 464,160</b>	<b>\$ 888,909</b>	<b>\$ 1,607,333</b>	<b>\$ 3,917,842</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities - payables	\$ 1,414	\$ -	\$ -	\$ -	\$ 1,414
Fund balances - unreserved, undesignated	956,026	464,160	888,909	1,607,333	3,916,428
<b>Total liabilities and fund balances</b>	<b>\$ 957,440</b>	<b>\$ 464,160</b>	<b>\$ 888,909</b>	<b>\$ 1,607,333</b>	<b>\$ 3,917,842</b>

**Township of Byron**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<u>Special revenue funds</u>				<u>Total other governmental funds</u>
	<u>Fire Department Capital Outlay</u>	<u>Trails</u>	<u>Public Improvement</u>	<u>Improvement Revolving</u>	
<b>REVENUES</b>					
Property taxes	\$ 145,868	\$ -	\$ -	\$ -	\$ 145,868
Intergovernmental	4,041	309,950	-	-	313,991
Interest	41,610	4,210	29,260	75,249	150,329
Other	1,600	-	-	-	1,600
Total revenues	193,119	314,160	29,260	75,249	611,788
<b>EXPENDITURES</b>					
Capital outlay	63,834	-	-	-	63,834
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	129,285	314,160	29,260	75,249	547,954
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	150,000	345,000	-	495,000
<b>NET CHANGES IN FUND BALANCES</b>	129,285	464,160	374,260	75,249	1,042,954
<b>FUND BALANCES - BEGINNING</b>	826,741	-	514,649	1,532,084	2,873,474
<b>FUND BALANCES - ENDING</b>	<u>\$ 956,026</u>	<u>\$ 464,160</u>	<u>\$ 888,909</u>	<u>\$ 1,607,333</u>	<u>\$ 3,916,428</u>

**Members of the Township Board  
Township of Byron, Michigan**

In planning and performing our audit of the financial statements of the Township of Byron as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Byron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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

- Escrow transactions were not recorded and reconciled to general ledger control accounts in a timely manner.
- Certain Tax Fund disbursements were not made in a timely manner.
- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, record changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Byron, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

September 7, 2007

# Siegfried Crandall PC

Certified Public Accountants & Advisors

246 E. Kilgore Road  
Kalamazoo, MI 49002-5599  
www.siegfriedcrandall.com

Telephone 269-381-4970  
800-876-0979  
Fax 269-349-1344

September 1, 2007

**Members of the Board  
Township of Byron**

**In planning and performing our audit of the financial statements of the Township of Byron for the year ended March 31, 2007, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.**

**However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 7, 2007, on the financial statements of the Township of Byron.**

**We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.**

*Siegfried Crandall P.C.*

## **COMMENTS AND RECOMMENDATIONS**

---

### ***Accounting for developer escrows***

During the past year, the Township implemented an escrow policy whereby developers were required to make deposits to cover costs incurred by the Township that related to their developments. We commend the Board for implementing this policy as it will likely prevent the Township from incurring unnecessary costs. However, these transactions were not recorded in a timely manner.

We recommend that the Township implement procedures to account for the developer escrow deposits including recording the receipt of the deposit and payment of all costs incurred. It is also important to monitor the escrow balances to ensure that developers are paying for the costs of their projects.

The Township's officials agree with this recommendation and, subsequent to the end of the fiscal year, have implemented procedures to account for the developer escrows

### ***Supporting documentation and authorization for disbursements***

Our audit testing included the selection of a sample of disbursements. Some of the disbursements we selected lacked appropriate supporting documentation and authorization.

We recommend that both the Clerk and Treasurer review all disbursements for adequate support and proper authorization before the checks are presented to the entire Board for approval. Each check should be accompanied by appropriate supporting documents which should be initialed by the applicable department head to reflect approval for payment and to prevent duplicate payment of the item. We recommend that a stamp imprint, providing for check number, date paid, account charged, and approval for payment be impressed on the supporting documentation prior to payment. Final approval of the disbursement should be dependent on proper preliminary approvals as indicated.

### ***Fire Department payroll monitoring***

The internal controls related to payroll disbursements to employees within the two fire departments serving the Township could be enhanced through the following procedures:

- Documentation of Board approval of pay rates and salaries, and changes thereto
- Approval, by the Fire Chief, of hours to be paid
- Periodic reconciliation, by an employee independent of the Fire Department, of hours per incident reports to hours to be paid; each department should provide copies of the incident reports to the Township within one week of the incident

### ***Controls over credit card purchases***

The Township has several credit cards that can be used by a number of Township employees. Credit cards can provide for an efficient method of purchasing, but these purchases must be carefully monitored.

Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenditures. However, the Act requires that a local unit of government adopt, by resolution, a written policy that includes specific stipulations regarding the use of, and controls over, credit cards. The Township has not yet adopted the required resolution.

## **COMMENTS AND RECOMMENDATIONS (Continued)**

---

### ***Controls over credit card purchases (continued)***

We recommend that the Township prepare and approve a credit card policy concerning the use of all Township credit cards in accordance with state guidelines. The policy should not be limited to, but should include, the following:

- An official must be designated to oversee the monitoring and issuing of the card;
- The use of the credit card is for official business of the Township;
- Documentation must be submitted for the goods purchased;
- The person responsible for overseeing the card must monitor the card's protection;
- Internal control systems must be established for use of the cards;
- Approval of credit card invoices prior to payment;
- Balance, including interest, must be paid within 60 days of the initial statement date;
- Disciplinary measures set up for unauthorized use of a credit card; and
- Other matters the Township considers advisable.

### ***Investment reporting***

State law requires the Treasurer to present a report on the Township's investments to the Board at least annually. The report should include sufficient detail so that the Board can determine the amounts invested, the investment earnings, and that the Township's investment policy is being followed. We recommend that the annual report format be used or modified for purposes of making quarterly reports on investment activities and results.

### ***Utility billing adjustments***

Our consideration of the internal controls related to utility billings revealed an opportunity to strengthen the system of controls through the segregation of duties. Utility billing adjustments are currently approved and recorded by the same person. Errors and fraud have occurred in other communities due to the lack of a segregation of duties related to the utility billing transaction cycle.

We recommend the review and approval of all utility billing adjustments by a Township employee who has an understanding of the utility billing system but no ability to record billing transactions. The Water/Sewer Department could prepare several reports, on a monthly basis, to support billing adjustments. The reports would include: a "billing summary report," along with a "billing register correction summary report"; an "account history adjustment report"; and a copy of the general ledger history supporting the posting of the transaction.

### ***Postemployment benefits***

The Governmental Accounting Standards Board has issued a new accounting pronouncement related to postemployment benefits other than pensions. The pronouncement requires local units of government to record and report the cost of providing these benefits to its retirees. The intent of the new rules is to recognize the cost of providing the benefits over the working life of the employee rather than when cash is paid for the benefits. The Township will be required to measure its obligation to provide postemployment benefits and the related annual costs beginning with the fiscal year that ends on March 31, 2009.

While the Township is not required to fund these obligations before they come due, we commend the Board for its intent to pre-fund a portion of this liability.

We recommend that the Township consult an actuary experienced in measuring these obligations, when necessary.

## **COMMENTS AND RECOMMENDATIONS (Continued)**

---

### ***Written policies and procedures***

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes