

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 Castleton Township	County Barry
Fiscal Year End 3-31-2007	Opinion Date 11-30-2007	Date Audit Report Submitted to State 12-11-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Foote & Lloyd, CPAs	Telephone Number 269-962-7518	
Street Address Two West Michigan, Suite 210	City Battle Creek	State Zip MI 49017
Authorizing CPA Signature <i>Charles W. Foote</i>	Printed Name Charles W. Foote, CPA	License Number 1101007397

**CASTLETON TOWNSHIP
BARRY COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2007**

**FOOTE AND LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**CASTLETON TOWNSHIP
BARRY COUNTY, MICHIGAN**

Justin Cooley	Supervisor
Lorna Wilson	Clerk
Loretta Pixley	Treasurer
David DeMond	Trustee
Jerry Reese	Trustee

Population 3,475 (2000)

For Fiscal Year Ended

March 31, 2007

CASTLETON TOWNSHIP

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Foote and Lloyd

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Castleton Township
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Castleton Township, Barry 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 Castleton Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Castleton Township 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 accounting principles generally accepted in the United States of America.

As described in Note 1, the township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended and interpreted, as of March 31, 2007.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castleton Township's basic financial statements. The additional information found on pages 21 through 29 are not a required part of the basic financial statements. The 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.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
November 30, 2007

CASTLETON TOWNSHIP
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

In a condensed format, the table below shows net assets as of fiscal year-end:

	Governmental Activities 3-31-07	3-31-06
Current Assets	605,291	608,961
Noncurrent Assets	<u>203,747</u>	<u>124,423</u>
Total Assets	809,038	733,384
Due to Other Governmental Unit	159,386	182,400
Other Liabilities	<u>1,315</u>	<u>1,656</u>
Total Liabilities	160,701	184,056
Net Assets		
Invested in Capital Assets - Net of Debt	203,747	124,423
Restricted for Perpetual Care	-	-
Unrestricted	<u>444,590</u>	<u>424,905</u>
Total Net Assets	<u>648,337</u>	<u>549,328</u>

The following table shows the changes of the net assets:

	Governmental Activities 3-31-07	3-31-06
Program Revenues		
Charges for Services	550	700
General Revenues		
Property Taxes	127,788	115,998
State-Shared Revenues	131,034	131,471
Unrestricted Investment Earnings	21,858	12,399
Miscellaneous	3,977	8,427
Transfers	<u>(41,000)</u>	<u>(37,000)</u>
Total Revenues	244,207	231,995

CASTLETON TOWNSHIP
Management's Discussion and Analysis
Page 2

	Governmental Activities	
	3-31-07	3-31-06
Program Expenses		
General Government	114,770	111,728
Public Safety	2,119	8,660
Public Works	24,419	14,762
Health and Welfare	3,890	2,804
Total Expenses	145,198	137,954
Change in Net Assets	99,009	94,041

Our local unit's financial position has deteriorated during the past year again due to lower state revenue sharing payments, the township's commitment to a road project, and higher appropriations to the fire and EMS departments.

There was an average increase in the tax base due to a small increase in new construction and the Consumer Price Index. There were no tax abatements or commercial growth. The economic climate in Michigan has slowed any growth here in the township.

The township has two (2) restricted funds; fire-voted and ambulance-voted. The monies in these funds can be used only to buy equipment and to house the Fire and EMS Services departments.

There was no major change in the fire-voted fund. The ambulance-voted fund changed due to the fact that a new ambulance was purchased.

The variances between the original budget and the final budget were due to the ever increasing costs of utilities and supplies. Variances between the final budget and the actual results were due to the higher costs of the normal operations of the township.

At this time, we think that these factors could impact the future services in the township.

The township has one long-term debt. We are committed to paying for the road project for the next two years. We are not considering any capital expenditures.

Based upon known facts, our unit will probably not have a significant change in its financial position.

We have no infrastructure.

Separately issued financial statements for the Fire Board and Ambulance Board are available for inspection at the Castleton Township office.

**CASTLETON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	593,180	-	593,180	28,104
Receivables (Net)	12,111	-	12,111	-
Prepaid Expenses	-	-	-	-
Capital Assets-Net	203,747	-	203,747	395,184
Total Assets	809,038	-	809,038	423,288
Liabilities				
Accounts Payable	1,315	-	1,315	4,726
Due to Other Governmental Unit				
Current Portion	37,786	-	37,786	-
Noncurrent Portion	121,600	-	121,600	-
Total Liabilities	160,701	-	160,701	4,726
Net Assets				
Invested in Capital Assets				
Net of Related Debt	203,747	-	203,747	395,184
Restricted for Capital Projects	-	-	-	-
Unrestricted	444,590	-	444,590	23,378
Total Net Assets	648,337	-	648,337	418,562

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED MARCH 31, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
Primary Government								
General Government	114,770	550	-	-	(114,220)	-	(114,220)	-
Public Safety	2,119	-	-	-	(2,119)	-	(2,119)	-
Public Works	24,419	-	-	-	(24,419)	-	(24,419)	-
Health and Welfare	3,890	-	-	-	(3,890)	-	(3,890)	-
Total Governmental Activities	145,198	550	-	-	(144,648)	-	(144,648)	-
Business Type-Activities								
None	-	-	-	-	-	-	-	-
Total Primary Government	175,198	550	-	-	(144,648)	-	(144,648)	-
Component Units								
Area-Wide Fire Board	89,607	350	52,400	-	-	-	-	(36,857)
Area-Wide Ambulance Board	238,984	164,373	34,700	-	-	-	-	(39,911)
Total Component Units	328,591	164,723	87,100	-	-	-	-	(76,768)
General Revenues								
Property Taxes					127,788	-	127,788	
State-Shared Revenues					128,683	-	128,683	
Metro Authority Act Revenue					2,351	-	2,351	
Unrestricted Investment Earnings					21,858	-	21,858	
Miscellaneous					3,977	-	3,977	9,490
Transfers					(41,000)	-	(41,000)	41,000
Total General Revenues--Special Items and Transfers					243,657	-	243,657	50,490
Change in Net Assets					99,009	-	99,009	(26,278)
Adjustments of Prior Years					-	-	-	-
Net Assets - Beginning					549,328	-	549,328	444,840
Net Assets - Ending					648,337	-	648,337	418,562

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2007**

	<u>General Fund</u>	<u>Fire Voted Fund</u>	<u>Ambulance Voted Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	237,448	320,978	34,754	-	593,180
Receivables - Net	<u>5,827</u>	<u>4,714</u>	<u>1,570</u>	-	<u>12,111</u>
Total Assets	243,275	325,692	36,324	-	605,291
Liabilities					
Accounts Payable	1,315	-	-	-	1,315
Due to Other Funds	<u>45</u>	<u>(34)</u>	<u>(11)</u>	-	<u>-</u>
Due to Other Government Units	<u>7,386</u>	<u>-</u>	<u>-</u>	-	<u>7,386</u>
Total Liabilities	8,746	(34)	(11)	-	8,701
Fund Balances					
Reserved for					
Capital Projects	-	325,726	36,335	-	362,061
Unreserved	<u>234,529</u>	<u>-</u>	<u>-</u>	-	<u>234,529</u>
Total Fund Balances	<u>234,529</u>	<u>325,726</u>	<u>36,335</u>	<u>-</u>	<u>596,590</u>

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 are not reported in the funds.	203,747
**Liabilities not due and payable within sixty days after the fiscal year end are not reported in the government funds.	<u>(152,000)</u>
Net Assets of Governmental Activities	<u>648,337</u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED MARCH 31, 2007**

	General Fund	Fire Voted Fund	Ambulance Voted Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	72,262	41,653	13,873	-	127,788
State-Shared Revenues					
Sales Tax	128,683	-	-	-	128,683
Metro Authority Act	2,351	-	-	-	2,351
Charges for Services	550	-	-	-	550
Rentals	1,340	-	-	-	1,340
Interest	5,966	11,825	4,067	-	21,858
Other Revenue	1,664	-	1,021	-	2,685
Total Revenues	212,816	53,478	18,961	-	285,255
Expenditures					
Current					
General Government	105,750	-	-	-	105,750
Public Safety	-	2,119	-	-	2,119
Public Works	54,819	-	-	-	54,819
Health and Welfare	-	-	92,282	-	92,282
Total Expenditures	160,569	2,119	92,282	-	254,970
Excess of Revenues Over (Under)					
Expenditures	52,247	51,359	(73,321)	-	30,285
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers (Out)	(41,000)	-	-	-	(41,000)
Excess of Revenue and Other Sources Over (Under)					
Expenditures and Other Uses	11,247	51,359	(73,321)	-	(10,715)
Fund Balance - Beginning of Year	223,282	274,367	109,656	-	607,305
Fund Balance - End of Year	234,529	325,726	36,335	-	596,590

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. 79,324

**Governmental funds report expenses when paid or when they will be paid within sixty days after the fiscal year end. 30,400

Change in Net Assets of Governmental Activities 99,009

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
MARCH 31, 2007**

	Cemetery Perpetual Care Funds	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash and Cash Equivalents	<u>5,458</u>	<u>7,329</u>
Total Assets	5,458	7,329
Liabilities		
Due to Other Governmental Units	<u>-</u>	<u>7,329</u>
Total Liabilities	<u>-</u>	<u>7,329</u>
Net Assets	<u>5,458</u>	

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHP
 FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
 FISCAL YEAR ENDED MARCH 31, 2007**

	<u>Cemetery Perpetual Care Funds</u>
Additions	
Lot Sales	<u>-</u>
Total Sales	-
Investment Income	
Interest	<u>157</u>
Total Investment Income	<u>157</u>
Total Additions	157
Deductions	
None	<u>-</u>
Change in Net Assets	157
Net Assets - Beginning of Year	<u>5,301</u>
Net Assets - End of Year	<u>5,458</u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
STATEMENT OF NET ASSETS - COMPONENT UNITS
MARCH 31, 2007**

	Area-Wide Fire <u>Board</u>	Area-Wide Ambulance <u>Board</u>	Total Component <u>Units</u>
Assets			
Cash and Cash Equivalents	14,950	13,154	28,104
Prepaid Expenses	-	-	-
Capital Assets - Net	<u>248,427</u>	<u>146,757</u>	<u>395,184</u>
Total Assets	263,377	159,911	423,288
Liabilities			
Accounts Payable	<u>267</u>	<u>4,459</u>	<u>4,726</u>
Total Liabilities	267	4,459	4,726
Net Assets			
Invested in Capital Assets-Net of Related Debt	248,427	146,757	395,184
Restricted for			
Capital Projects	-	-	-
Other Purposes	-	-	-
Unrestricted	<u>14,683</u>	<u>8,695</u>	<u>23,378</u>
Total Net Assets	<u>263,110</u>	<u>155,452</u>	<u>418,562</u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHP
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FISCAL YEAR ENDED MARCH 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>(Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Fire Board</u>	<u>Ambulance Board</u>	<u>Total</u>
Fire and Ambulance Boards							
Public Safety	89,607	350	54,201	-	(35,056)	-	(35,056)
Health and Welfare	<u>238,984</u>	<u>164,373</u>	<u>42,389</u>	-	<u>-</u>	<u>(32,222)</u>	<u>(32,222)</u>
Total Fire and Ambulance Boards	<u>328,591</u>	<u>164,723</u>	<u>96,590</u>	-	<u>(35,056)</u>	<u>(32,222)</u>	<u>(67,278)</u>
Total Primary Government	<u>328,591</u>	<u>164,723</u>	<u>96,590</u>	-	(35,056)	(32,222)	(67,278)
 General Revenues and Transfers							
Transfers					<u>25,000</u>	<u>16,000</u>	<u>41,000</u>
Total General Revenues and Transfers					<u>25,000</u>	<u>16,000</u>	<u>41,000</u>
Change in Net Assets					(10,056)	(16,222)	(26,278)
Adjustments of Prior Years					-	-	-
Net Assets - Beginning					<u>273,166</u>	<u>171,674</u>	<u>444,840</u>
Net Assets - Ending					<u>263,110</u>	<u>155,452</u>	<u>418,562</u>

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

Castleton Township was organized in 1845 and covers an area of 36 square miles. The Township is governed by an elected five-member board. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units - There are no blended component units.

Discretely Presented Component Units - The following component units are reported with the "component units" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the Local Governmental Unit, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The area-wide Fire Board and the area-wide Ambulance Board are joint ventures supported by Castleton Township, Maple Grove Township and the Village of Nashville. The members of their boards are appointed by the boards and council of the three local governments and each of the three governments supplies the two Boards with appropriations for operations. The two joint ventures provide fire and ambulance services for the area governed by the three previously mentioned governments.

B. Government-Wide and Fund Financial Statements

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

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

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

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Although the Township ad valorem tax is levied and collectible on December 1, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township totaled \$57,748,463, on which ad valorem taxes levied consisted of .8916 mills for the Township operating purposes, and .9619 mills for fire and ambulance services. These amounts are recognized in the respective financial statements as taxes receivables--current or as tax revenue.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

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

There are also two Special Revenue Funds named Fire Voted and Ambulance Voted which primarily collect and distribute tax revenues for the fire and ambulance activities,

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. Summer school taxes are levied July 1 and payable by September 15. All other property taxes are levied December 1 and payable by February 14. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed and they are added to the county tax rolls.

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

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimates historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

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

Buildings	20 to 50 years
Building Improvements	15 to 30 years
Vehicles	10 to 25 years
Office Furniture	5 to 15 years
Computer Equipment	3 to 7 years

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.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown at the bottom of the fund financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended March 31, 2007, the Township incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits in banks are carried at cost and certificates of deposit are carried at cost plus accrued interest.

Act 217, PA 1982, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	593,180	-	12,787	605,967	28,104
Investments	-	-	-	-	-
Restricted Assets	-	-	-	-	-
Total	<u>593,180</u>	<u>-</u>	<u>12,787</u>	<u>605,967</u>	<u>28,104</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	605,967	28,104
Investments in Securities, Mutual Funds and Similar Vehicles	-	-
Petty Cash and Cash on Hand	-	-
Total	<u>605,967</u>	<u>28,104</u>

The bank balance of the primary government's deposits is \$606,929, of which \$593,917 is covered by federal depository insurance and \$0 is collateralized. The component units' deposits had a bank balance of \$30,070 of which \$30,070 was covered by federal depository insurance and \$0 was collateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

All investments are in category one.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 5 – RECEIVABLES (Continued)

	<u>General Fund</u>	<u>Fire Voted Fund</u>	<u>Ambulance Voted Fund</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
Taxes Receivable	<u>5,827</u>	<u>4,714</u>	<u>1,570</u>	<u>-</u>	<u>12,111</u>
Gross Receivables	5,827	4,714	1,570	-	12,111
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u><u>5,827</u></u>	<u><u>4,714</u></u>	<u><u>1,570</u></u>	<u><u>-</u></u>	<u><u>12,111</u></u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	25,000	-	-	25,000
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	25,000	-	-	25,000
Capital Assets Being Depreciated				
Buildings	116,298	-	-	116,298
Improvements Other Than Buildings	-	-	-	-
Equipment and Furniture	43,981	-	5,807	38,174
Vehicles	-	88,392	-	88,392
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	160,279	88,392	5,807	242,864

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 6 - CAPITAL ASSETS (Continued)

Less: Accumulated Depreciate for				
Buildings	42,124	4,210	-	51,334
Improvements Other Than Buildings	-	-	-	-
Equipment and Furniture	13,732	3,337	5,759	11,310
Vehicles	-	1,473	-	1,473
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>60,856</u>	<u>9,020</u>	<u>5,759</u>	<u>64,117</u>
Net Capital Assets Being Depreciated	<u>99,423</u>	<u>79,372</u>	<u>(48)</u>	<u>178,747</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>124,423</u>	<u>79,372</u>	<u>(48)</u>	<u>203,747</u>

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

Governmental Activities	
Unallocated	<u>9,020</u>
Total Governmental Activities	<u>9,020</u>
Discretely Presented Component Units	
Area-Wide Fire Board	17,131
Area-Wide Ambulance Board	<u>13,400</u>
Total Discretely Presented Component Units	<u>30,531</u>

NOTE 7 - LONG-TERM DEBT

In the summer of 2004 the Township entered into an agreement with the Barry County Road Commission for the repair of a portion of East State Road. The first of six payments was made in August, 2004, with the remaining payments to be made in August of the five following years. The total debt was \$304,000, and interest does not accrue on the outstanding debt. The liquidating payments are made from the township improvements fund which is a part of the general fund.

The annual requirements to pay the debt outstanding at March 31, 2007, are as follows:

Year Ending <u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	30,400	-	30,400
2009	60,800	-	60,800
2010	60,800	-	<u>60,800</u>
			<u>152,000</u>

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 8 - RISK MANAGEMENT

The Township's insurance for Workers' Compensation, General Liability and Property Loss and Fleet insurance is carried by an insurance company. The Township is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a defined contribution pension plan for the elected officials. Contributions for the past three years are:

3-31-05	\$5,400
3-31-06	5,400
3-31-07	5,400

NOTE 10- EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

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

NOTE 11 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Required Supplemental Information

**CASTLETON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance				
Resources (Inflows)	223,282	223,282	223,282	-
Property Taxes	66,250	66,250	72,262	6,012
State-Shared Revenues	125,000	125,000	128,683	3,683
State Metro Authority Act	4,000	4,000	2,351	(1,649)
Interest	2,350	2,350	5,966	3,616
Rentals	1,000	1,000	1,340	340
Charges for Services	675	675	550	(125)
Other	500	500	1,664	1,164
Amounts Available for Appropriation	423,057	423,057	436,098	13,041
Charges to Appropriations (Outflows)				
General Government				
Township Board	27,050	28,930	25,435	3,495
Board of Review	1,300	1,300	1,025	275
Supervisor	6,645	6,645	6,345	300
Treasurer	15,560	15,760	15,071	689
Assessing	16,140	17,846	17,587	259
Clerk	18,670	18,670	18,023	647
Elections	5,500	7,090	5,583	1,507
Cemetery	11,450	11,450	9,681	1,769
Buildings and Grounds	6,600	8,400	7,000	1,400
Public Safety				
Fire	25,000	25,000	25,000	-
Health and Welfare				
EMS	16,000	16,000	16,000	-
Contract Services	-	-	-	-
Public Works				
Street Maintenance	50,823	50,823	49,819	1,004
Sanitation	4,000	5,000	5,000	-
Recreation and Culture				
Library	-	-	-	-
Total Charges to Appropriations	<u>204,738</u>	<u>212,914</u>	<u>201,569</u>	<u>11,345</u>
Budgetary Fund Balance - End of Year	<u><u>218,319</u></u>	<u><u>210,143</u></u>	<u><u>234,529</u></u>	<u><u>24,386</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
FIRE VOTED FUND
FISCAL YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Favorable (Unfavorable)</u>
Beginning of Year Fund Balance				
Resources (Inflows)	274,367	274,367	274,367	-
Property Taxes	40,470	40,470	41,653	1,183
Interest	4,500	4,500	11,825	7,325
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	319,337	319,337	327,845	8,508
Charges to Appropriations (Outflows)				
Public Safety				
Fire	<u>10,000</u>	<u>10,000</u>	<u>2,119</u>	<u>7,881</u>
Total Charges to Appropriations	<u>10,000</u>	<u>10,000</u>	<u>2,119</u>	<u>7,881</u>
Budgetary Fund Balance - End of Year	<u><u>309,337</u></u>	<u><u>309,337</u></u>	<u><u>325,726</u></u>	<u><u>16,389</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
AMBULANCE VOTED FUND
FISCAL YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance				
Resources (Inflows)	109,656	109,656	109,656	-
Property Taxes	13,700	13,700	13,873	173
Interest	1,750	1,750	4,067	2,317
Other	<u>-</u>	<u>-</u>	<u>1,021</u>	<u>1,021</u>
Amounts Available for Appropriation	125,106	125,106	128,617	3,511
Charges to Appropriations (Outflows)				
Health and Welfare				
EMS	<u>7,000</u>	<u>95,392</u>	<u>92,282</u>	<u>3,110</u>
Total Charges to Appropriations	<u>7,000</u>	<u>95,392</u>	<u>92,282</u>	<u>3,110</u>
Budgetary Fund Balance - End of Year	<u>118,106</u>	<u>29,714</u>	<u>36,335</u>	<u>6,621</u>

The Notes to Financial Statements are an integral part of this statement.

Additional Information

**CASTLETON TOWNSHIP
DETAILED SCHEDULE OF REVENUES
FOR THE FISCAL YEAR ENDED MARCH 31, 2007**

GENERAL FUND

GENERAL GOVERNMENT

Local Taxes:		
Roll	51,435	
Administration Fees	19,743	
Trailer Tax	<u>1,084</u>	
Total		72,262
Intergovernmental:		
Sales Tax	128,683	
Metro Authority Act	<u>2,351</u>	131,034
Interest		5,966
Other		<u>3,554</u>
Total Revenues		<u><u>212,816</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
 DETAILED SCHEDULE OF EXPENDITURES
 FOR THE FISCAL YEAR ENDED MARCH 31, 2007**

GENERAL FUND

GENERAL GOVERNMENT

Township Board

Trustees	3,350	
Legal & Audit	3,900	
Printing & Publishing	494	
Dues	1,198	
Education	320	
Insurance	3,876	
FICA Tax	4,008	
Supplies	589	
Other	1,772	
Pension	5,400	
Small Equipment	<u>528</u>	
Total	25,435	25,435

Supervisor

Salary	6,345	
Education	-	
Mileage	-	
Other	-	
Small Equipment	<u>-</u>	
Total	6,345	6,345

Elections

Wages	4,388	
Supplies & Other	<u>1,195</u>	
Total	5,583	5,583

Assessor

Salary	14,940	
Office Expense	742	
Education	75	
Mileage	-	
Other	-	
Small Equipment	<u>1,830</u>	
Total	17,587	17,587

The Notes to Financial Statements are an integral part of this statement.

**DETAILED SCHEDULE OF EXPENDITURES
GENERAL FUND
Page 2**

Clerk		
Salary	14,420	
Office Expense	505	
Education	935	
Mileage	26	
Other	10	
Small Equipment	<u>2,127</u>	
Total	18,023	18,023
Treasurer		
Salary	12,514	
Office Expense	2,104	
Education	10	
Mileage	23	
Other	-	
Small Equipment	<u>420</u>	
Total	15,071	15,071
Township Hall		
Utilities	5,154	
Supplies	78	
Building Maintenance	1,768	
Small Equipment	<u>-</u>	
Total	7,000	7,000
Board of Review		
Per Diem	800	
Education	-	
Printing	225	
Other	<u>-</u>	
Total	1,025	1,025
Cemetery		
Contract Services	8,000	
Other	<u>1,681</u>	
Total	9,681	9,681
PUBLIC WORKS		
Roads		
Total	<u>49,819</u>	
	49,819	49,819

The Notes to Financial Statements are an integral part of this statement.

**DETAILED SCHEDULE OF EXPENDITURES
GENERAL FUND
Page 3**

Sanitation		
Recycling	5,000	
Total	5,000	5,000
 HEALTH AND WELFARE		
Contract Services	-	
	-	-
 TRANSFERS		
Fire Board	25,000	
Ambulance Board	16,000	
Total	41,000	41,000
Total Expenditures & Transfers		201,569

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
SCHEDULE OF CHANGES IN ASSETS & LIABILITIES
TRUST & AGENCY FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2007**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash & Receivables	1,549	1,509,937	1,504,157	7,329
Liabilities				
Taxes Payable	1,549	1,509,937	1,504,157	7,329

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
RECONCILIATION OF 2006 TAX ROLL**

	Roll	Collections	Returned Delinquent
Tax Collections			
Barry County:			
Operating	439,994	398,399	41,595
State Education Tax	346,484	320,346	26,138
Intermediate School Districts:			
Barry	15,660	13,055	2,605
Eaton	177,414	158,013	19,401
Ionia	17,841	16,939	902
School Districts:			
Maple Valley	355,460	315,247	40,213
Hastings	79,308	64,766	14,542
Lakewood	21,143	20,235	908
Library Board:	27,768	24,625	3,143
Township:			
Operating	51,480	45,653	5,827
Fire Voted	41,657	36,942	4,715
Ambulance Voted	<u>13,874</u>	<u>12,304</u>	<u>1,570</u>
Total Taxes	1,588,083	1,426,524	161,559
Other:			
Trailer Tax		6,501	
Interest and Late Fees		220	
Administration Fee		18,128	
Total Collections		<u>1,451,373</u>	
Remittances			
Barry County		724,162	
Barry ISD		13,055	
Eaton ISD		158,013	
Ionia ISD		16,939	
Maple Valley Schools		315,247	
Hastings Schools		64,766	
Lakewood Schools		20,235	
Castleton Township		114,331	
Library		<u>24,625</u>	
Total Remittances		<u>1,451,373</u>	

The Notes to Financial Statements are an integral part of this statement.

Foote and Lloyd

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MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Supervisor and Board
Castleton Township
Barry County, Michigan

In planning and performing our audit of the financial statements of Castleton Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Castleton Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Castleton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Castleton 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, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 16, 2007, on the financial statements of Castleton Township. Our comments are summarized as follows:

General Accounting – The Township should maintain a general ledger and record all transactions in the general ledger for all funds except the agency funds. Bank reconciliations, Inter-fund transactions, and other account balances need to be reconciled on a monthly basis for all funds.

Financial Statements – The officers of the Township do understand all the information included in the annual financial statements; however, assistance of the external auditor was utilized in drafting the financial statements including the reconciliations required by Governmental Accounting Standards Board Statement #34 and the required footnotes to the financial statements.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operation efficiencies.

This report is intended for the information and use of the Castleton Township Board and officers of the Township and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank you this year for the opportunity of serving you and for the assistance and cooperation we received from everyone contacted during the course of the audit. Please do not hesitate to contact us if you have questions at any time.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
November 30, 2007