

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 CRYSTAL TOWNSHIP	County MONTCALM
Fiscal Year End 6.30.07	Opinion Date November 8, 2007	Date Audit Report Submitted to State December 7, 2007	

We affirm that:

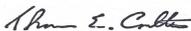
We are certified public accountants licensed to practice in Michigan.

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

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

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

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)
Financial Statements		<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	
Other (Describe)		<input type="checkbox"/>	
Certified Public Accountant (Firm Name) YEO & YEO PC CPAS		Telephone Number 989-463-6108	
Street Address 7810 N. ALGER ROAD		City ALMA	State MI
Authorizing CPA Signature 		Printed Name THOMAS E. COULTER	License Number 1612544
		Zip 48801	

Crystal Township

Montcalm County, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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Crystal Township
List of Elected and Appointed Officials
June 30, 2007

Township Board

William Powell, Supervisor

Nan Hagerman, Clerk

Paula Plank, Treasurer

John Hagerman, Trustee

Rich Chalmers, Trustee



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

Independent Auditors' Report

To the Township Board
Crystal Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crystal Township as of and for the year ended June 30, 2007, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crystal Township as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated [redacted] on our consideration of the Crystal Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 8, 2007

Crystal Township
Management's Discussion and Analysis
Year Ended June 30, 2007

Our discussion and analysis of Crystal Townships financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007.

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 Crystal Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

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

Crystal Township
Management's Discussion and Analysis
Year Ended June 30, 2007

The Crystal Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date (in thousands of dollars):

	Governmental Activities 2007	Business-type Activities 2007	Total 2007	Total 2006
Assets				
Other assets	\$ 524,241	\$ 1,145,665	\$ 1,669,906	\$ 1,631,420
Capital assets	415,301	4,355,840	4,771,141	5,002,261
Total Assets	<u>939,542</u>	<u>5,501,505</u>	<u>6,441,047</u>	<u>6,633,681</u>
Current and long term liabilities				
Current liabilities	36,119	38,572	74,691	93,793
Long term liabilities	-	969,005	969,005	996,000
Total liabilities	<u>36,119</u>	<u>1,007,577</u>	<u>1,043,696</u>	<u>1,089,793</u>
Net Assets				
Invested in capital assets, net of related debt	415,301	3,365,835	3,781,136	3,985,261
Restricted	-	21,000	21,000	21,000
Unrestricted	488,122	1,107,093	1,595,215	1,537,627
Total net assets	<u>\$ 903,423</u>	<u>\$ 4,493,928</u>	<u>\$ 5,397,351</u>	<u>\$ 5,543,888</u>

Crystal Township's net assets of governmental activities are \$903,423 and \$4,493,928 for business type activities; of these amounts \$488,122 (governmental) and \$1,107,093 (business -type) are unrestricted assets.

Crystal Township
Management's Discussion and Analysis
Year Ended June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2007</u>	<u>Total 2006</u>
Revenue				
Program revenue				
Charges for services	\$ 15,665	\$ 215,798	\$ 231,463	\$ 225,349
General revenue:				
Property taxes and special assessments	293,059	-	293,059	180,408
State-shared revenue	190,023	-	190,023	195,856
Interest	27,812	14,955	42,767	43,248
Other revenue	19,647	46	19,693	26,223
Total revenue	<u>546,206</u>	<u>230,799</u>	<u>777,005</u>	<u>671,084</u>
Program expenses				
General government	150,315	-	150,315	136,745
Public safety	161,459	-	161,459	120,777
Public works	137,406	-	137,406	149,358
Recreation and culture	5,724	-	5,724	5,081
Sewer	-	262,920	262,920	300,251
Duck Lake	-	176,279	176,279	109,119
Loss on sale of capital assets	4,868	-	4,868	6,177
Total program expenses	<u>459,772</u>	<u>439,199</u>	<u>898,971</u>	<u>827,508</u>
Change in net assets	<u>\$ 86,434</u>	<u>\$ (208,400)</u>	<u>\$ (121,966)</u>	<u>\$ (156,424)</u>

Governmental Activities

Crystal Townships total governmental activity revenues were \$546,206. This reflects a new special assessment collected for the Police Fund. The amount collected for 2006-2007 was \$98,500.

Governmental activity expenditures of \$459,772 were recorded for the year.

**Crystal Township
Management's Discussion and Analysis
Year Ended June 30, 2007**

Business Type Activities

The Township also provides municipal sanitary sewer to its residents .

The Townships long-term debt decreased by \$51,565 as of June 30, 2007. This decrease is due to the payments of the Duck Lake sanitary drain bonds series A and B.

Crystal Townships Funds

The fund financial statements provide detailed information about the most significant funds, not Crystal Township as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Lighting Funds. Crystal Township's governmental major funds include General Fund and Fire Fund.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

b) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2006-07 was \$76,112.

General Fund Budgetary Highlights

The Township is aware that the current board will need to monitor expenditures through out the year. Many areas have been reduced or cut to accommodate the decreasing revenues.

**Crystal Township
Management's Discussion and Analysis
Year Ended June 30, 2007**

Economic Factors and Next Year's Budgets and Rates

The Township Board is in agreement that the revenue sharing from the state will continue to decline due to the state's economic decline and manufacturers and industries relocating to other states. The Township Board will have to review further cuts if revenue sharing continues to drop at such considerable amounts.

Contacting Crystal Townships Management

This financial report is intended to provide our citizens, taxpayers, customers, and Residents with a general overview of Crystal Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

Crystal Township
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 452,491	\$ 364,596	\$ 817,087	\$ 11,650
Receivables				
Customers	-	19,088	19,088	-
Special assessments	-	742,907	742,907	-
Due from other units of government	61,216	-	61,216	-
Due from employees	1,719	-	1,719	-
Prepaid items	8,815	19,074	27,889	-
Non-depreciable capital assets	18,897	232,446	251,343	-
Depreciable capital assets, net	<u>396,404</u>	<u>4,123,394</u>	<u>4,519,798</u>	<u>-</u>
Total assets	<u>939,542</u>	<u>5,501,505</u>	<u>6,441,047</u>	<u>11,650</u>
Liabilities				
Checks written against future deposits	357	-	357	-
Accounts payable	27,569	-	27,569	-
Accrued and other liabilities	5,943	17,572	23,515	-
Deferred revenue	2,250	-	2,250	-
Noncurrent liabilities				
Due within one year	-	21,000	21,000	-
Due in more than one year	<u>-</u>	<u>969,005</u>	<u>969,005</u>	<u>-</u>
Total liabilities	<u>36,119</u>	<u>1,007,577</u>	<u>1,043,696</u>	<u>-</u>
Net Assets				
Invested in capital assets, net of related debt	415,301	3,365,835	3,781,136	-
Restricted for:				
Debt service	-	21,000	21,000	-
Unrestricted	<u>488,122</u>	<u>1,107,093</u>	<u>1,595,215</u>	<u>11,650</u>
Total net assets	<u>\$ 903,423</u>	<u>\$ 4,493,928</u>	<u>\$ 5,397,351</u>	<u>\$ 11,650</u>

See Accompanying Notes to Financial Statements

Crystal Township
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 155,183	\$ 7,665	\$ -	\$ -	\$ (147,518)	\$ -	\$ (147,518)	\$ -
Public safety	161,459	8,000	-	-	(153,459)	-	(153,459)	-
Public works	137,406	-	-	-	(137,406)	-	(137,406)	-
Recreation and culture	5,724	-	-	-	(5,724)	-	(5,724)	-
Total governmental activities	<u>459,772</u>	<u>15,665</u>	<u>-</u>	<u>-</u>	<u>(444,107)</u>	<u>-</u>	<u>(444,107)</u>	<u>-</u>
Business-type activities								
Sewer	262,920	182,865	-	-	-	(80,055)	(80,055)	-
Duck lake sewer	176,279	32,933	-	-	-	(143,346)	(143,346)	-
Total business-type activities	<u>439,199</u>	<u>215,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(223,401)</u>	<u>(223,401)</u>	<u>-</u>
Total primary government	<u>\$ 898,971</u>	<u>\$ 231,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(444,107)</u>	<u>(223,401)</u>	<u>(667,508)</u>	<u>-</u>
Component unit								
Downtown Development Authority	\$ 253	\$ -	\$ -	\$ -				(253)
General revenues								
Property taxes and special assessments					293,059	-	293,059	6,588
State shared revenue					190,023	-	190,023	-
Unrestricted investment earnings					27,812	14,955	42,767	200
Miscellaneous					19,647	46	19,693	-
Total general revenues and transfers					<u>530,541</u>	<u>15,001</u>	<u>545,542</u>	<u>6,788</u>
Change in net assets					86,434	(208,400)	(121,966)	6,535
Net assets - beginning of year (restated)					<u>816,989</u>	<u>4,702,328</u>	<u>5,519,317</u>	<u>5,115</u>
Net assets - end of year					<u>\$ 903,423</u>	<u>\$ 4,493,928</u>	<u>\$ 5,397,351</u>	<u>\$ 11,650</u>

**Crystal Township
Governmental Funds
Balance Sheet
June 30, 2007**

	<u>Special Revenue Funds</u>			Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Fire</u>	<u>Police</u>		
Assets					
Cash and cash equivalents	\$ 174,070	\$ 116,419	\$ 153,244	\$ 8,758	\$ 452,491
Due from other units of government	61,216	-	-	-	61,216
Due from other funds	-	-	-	1,341	1,341
Due from employees	1,719	-	-	-	1,719
Prepaid items	8,815	-	-	-	8,815
	<u>245,820</u>	<u>116,419</u>	<u>153,244</u>	<u>10,099</u>	<u>525,582</u>
Total assets	<u>\$ 245,820</u>	<u>\$ 116,419</u>	<u>\$ 153,244</u>	<u>\$ 10,099</u>	<u>\$ 525,582</u>
Liabilities					
Checks written against future deposits	\$ -	\$ -	\$ -	\$ 357	\$ 357
Accounts payable	19,690	-	5,863	2,016	27,569
Accrued and other liabilities	5,943	-	-	-	5,943
Due to other funds	1,014	-	-	327	1,341
Deferred revenue	2,250	-	-	-	2,250
	<u>28,897</u>	<u>-</u>	<u>5,863</u>	<u>2,700</u>	<u>37,460</u>
Total liabilities	<u>28,897</u>	<u>-</u>	<u>5,863</u>	<u>2,700</u>	<u>37,460</u>
Fund Balances					
Unreserved					
Designated for:					
Improvements	59,022	-	-	-	59,022
Prepays	8,815	-	-	-	8,815
Unreserved, reported in:					
General fund	149,086	-	-	-	149,086
Special revenue funds	-	116,419	147,381	7,399	271,199
	<u>216,923</u>	<u>116,419</u>	<u>147,381</u>	<u>7,399</u>	<u>488,122</u>
Total fund balances	<u>216,923</u>	<u>116,419</u>	<u>147,381</u>	<u>7,399</u>	<u>488,122</u>
Total liabilities and fund balances	<u>\$ 245,820</u>	<u>\$ 116,419</u>	<u>\$ 153,244</u>	<u>\$ 10,099</u>	<u>\$ 525,582</u>

See Accompanying Notes to Financial Statements

Crystal Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2007

Total fund balances for governmental funds \$ 488,122

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 415,301

Net assets of governmental activities \$ 903,423

Crystal Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>			Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Fire</u>	<u>Police</u>		
Revenues					
Taxes	\$ 94,419	\$ 76,112	\$ 98,500	\$ -	\$ 269,031
Special assessments	-	-	-	24,028	24,028
State revenue sharing	190,023	-	-	-	190,023
Other state grants	-	-	1,140	-	1,140
Charges for services	11,990	-	-	-	11,990
Fines and forfeitures	-	-	278	-	278
Interest income	27,359	197	256	-	27,812
Rental income	625	-	-	-	625
Other revenue	21,279	-	-	-	21,279
	<u>345,695</u>	<u>76,309</u>	<u>100,174</u>	<u>24,028</u>	<u>546,206</u>
Total revenues					

See Accompanying Notes to Financial Statements

Crystal Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Fire	Police		
Expenditures					
Current					
General government	\$ 132,105	\$ -	\$ -	\$ -	\$ 132,105
Public safety	24,155	1,012	69,881	-	95,048
Public works	83,953	-	-	27,238	111,191
Recreation and culture	5,193	-	-	-	5,193
Other functions	35,100	-	-	-	35,100
Capital outlay	2,909	-	-	-	2,909
Total expenditures	<u>283,415</u>	<u>1,012</u>	<u>69,881</u>	<u>27,238</u>	<u>381,546</u>
Excess (deficiency) of revenues over expenditures	62,280	75,297	30,293	(3,210)	164,660
Fund balance - beginning of year	<u>154,643</u>	<u>41,122</u>	<u>117,088</u>	<u>10,609</u>	<u>323,462</u>
Fund balance - end of year	<u>\$ 216,923</u>	<u>\$ 116,419</u>	<u>\$ 147,381</u>	<u>\$ 7,399</u>	<u>\$ 488,122</u>

See Accompanying Notes to Financial Statements

Crystal Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds \$ 164,660

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(80,925)
Capital outlay	7,567
Loss on sale of capital assets	<u>(4,868)</u>

Change in net assets of governmental activities **\$ 86,434**

**Crystal Township
Proprietary Funds
Statement of Net Assets
June 30, 2007**

	Enterprise Funds		
	Sewer	Duck Lake	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 170,120	\$ 194,476	\$ 364,596
Receivables			
Customers	15,767	3,321	19,088
Special assessments, current	-	86,300	86,300
Due from other funds	34,874	-	34,874
Prepaid items	19,074	-	19,074
Total current assets	<u>239,835</u>	<u>284,097</u>	<u>523,932</u>
Noncurrent assets			
Special assessments receivable, deferred	-	656,607	656,607
Capital assets, net	<u>2,118,970</u>	<u>2,236,870</u>	<u>4,355,840</u>
Total assets	<u>2,358,805</u>	<u>3,177,574</u>	<u>5,536,379</u>
Liabilities			
Current liabilities			
Accrued and other liabilities	2,803	14,769	17,572
Due to other funds	-	34,874	34,874
Current portion of noncurrent liabilities	<u>-</u>	<u>21,000</u>	<u>21,000</u>
Total current liabilities	2,803	70,643	73,446
Noncurrent liabilities			
Long-term debt net of current portion	<u>-</u>	<u>969,005</u>	<u>969,005</u>
Total liabilities	<u>2,803</u>	<u>1,039,648</u>	<u>1,042,451</u>
Net Assets			
Invested in capital assets, net of related debt	2,118,970	1,246,865	3,365,835
Restricted for:			
Debt service	-	21,000	21,000
Unrestricted	<u>237,032</u>	<u>870,061</u>	<u>1,107,093</u>
Total net assets	<u>\$ 2,356,002</u>	<u>\$ 2,137,926</u>	<u>\$ 4,493,928</u>

See Accompanying Notes to Financial Statements

Crystal Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2007

	Enterprise Funds		
	Sewer	Duck Lake	Total
Operating revenue			
Customer fees	\$ 170,150	\$ 32,933	\$ 203,083
Connection fees	9,715	-	9,715
Rental income	3,000	-	3,000
Other revenue	46	-	46
Total operating revenue	<u>182,911</u>	<u>32,933</u>	<u>215,844</u>
Operating expenses			
Personnel services	47,397	42,648	90,045
Supplies	6,032	1,229	7,261
Contractual services	5,052	4,132	9,184
Utilities	12,185	3,806	15,991
Repairs and maintenance	35,939	5,451	41,390
Other expenses	33,657	12,518	46,175
Depreciation	<u>122,658</u>	<u>60,395</u>	<u>183,053</u>
Total operating expenses	<u>262,920</u>	<u>130,179</u>	<u>393,099</u>
Operating loss	<u>(80,009)</u>	<u>(97,246)</u>	<u>(177,255)</u>
Nonoperating revenue (expenses)			
Interest income	9,323	5,632	14,955
Interest expense	-	(46,100)	(46,100)
Total nonoperating revenues (expenses)	<u>9,323</u>	<u>(40,468)</u>	<u>(31,145)</u>
Change in net assets	<u>(70,686)</u>	<u>(137,714)</u>	<u>(208,400)</u>
Net assets - beginning of year (restated)	<u>2,426,688</u>	<u>2,275,640</u>	<u>4,702,328</u>
Net assets - end of year	<u>\$ 2,356,002</u>	<u>\$ 2,137,926</u>	<u>\$ 4,493,928</u>

See Accompanying Notes to Financial Statements

**Crystal Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Duck Lake</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 186,412	\$ 33,204	\$ 219,616
Receipts from other funds	(18,580)	-	(18,580)
Payments to suppliers	(120,325)	(27,906)	(148,231)
Payments to employees	(47,397)	(42,648)	(90,045)
Net cash provided (used) by operating activities	<u>110</u>	<u>(6,770)</u>	<u>(6,660)</u>
Cash flows from capital and related financing activities			
Proceeds from special assessments	-	104,432	104,432
Purchases/construction of capital assets	(26,167)	(3,992)	(30,159)
Principal and interest paid on long-term debt	-	(97,665)	(97,665)
Net cash provided (used) by capital and related financing activities	<u>(26,167)</u>	<u>2,775</u>	<u>(23,392)</u>
Cash flows from investing activities			
Interest received	9,323	5,632	14,955
Net increase (decrease) in cash and cash equivalents	<u>(16,734)</u>	<u>1,637</u>	<u>(15,097)</u>
Cash and cash equivalents - beginning of year	<u>186,854</u>	<u>192,839</u>	<u>379,693</u>
Cash and cash equivalents - end of year	<u>\$ 170,120</u>	<u>\$ 194,476</u>	<u>\$ 364,596</u>

See Accompanying Notes to Financial Statements

**Crystal Township
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Duck Lake</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (80,009)	\$ (97,246)	\$ (177,255)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	122,658	60,395	183,053
Changes in assets and liabilities			
Receivables (net)	3,501	271	3,772
Due from other funds	(18,580)	-	(18,580)
Prepaid items	449	-	449
Accounts payable	(20,100)	-	(20,100)
Accrued and other liabilities	(7,809)	(770)	(8,579)
Net cash provided (used) by operating activities	<u>\$ 110</u>	<u>\$ (6,770)</u>	<u>\$ (6,660)</u>

See Accompanying Notes to Financial Statements

Crystal Township
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Crystal Township is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities 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).

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the Government's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Government. The members of the Governing Board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. The Government also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the Crystal Township annual financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant

extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Crystal Township
Notes to Financial Statements
June 30, 2007

Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.

The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.

The government reports the following major proprietary funds:

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

The Duck Lake Fund accounts for the activities of the Duck Lake sewer distribution system.

Additionally, the government reports the following:

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

Crystal Township
Notes to Financial Statements
June 30, 2007

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer fund include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits – 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. Certificate of deposits are stated at cost which approximates fair value.

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Crystal Township
Notes to Financial Statements
June 30, 2007

The 2006 taxable valuation of the government totaled \$81,872,862, on which ad valorem taxes consisted of 0.7503 mills for operating purposes. This resulted in \$61,582 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – 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 \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Buildings and building improvements	15 to 60 years
Land improvements	10 to 20 years
Sewer lines	40 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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 purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

Crystal Township
Notes to Financial Statements
June 30, 2007

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Excess of expenditures over appropriations

During the year ended June 30, 2007, the Township incurred expenditures in the General Fund and Fire Fund in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount</u> <u>Expended</u>	<u>Variance</u>
General Fund			
General government	\$ 121,876	\$ 132,105	\$ 10,229
Other functions	29,258	35,100	5,842

Deficit fund equity

The Township has accumulated a net asset deficit in the Northwest TAC Lighting fund. This deficit will be eliminated with future special assessments.

NOTE 3 - DEPOSITS

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

	<u>Cash and Cash</u> <u>Equivalents</u>
Governmental activities	\$ 452,491
Business-type activities	<u>364,596</u>
Total primary government	817,087
Component unit	<u>11,650</u>
Total	<u>\$ 828,737</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Crystal Township
Notes to Financial Statements
June 30, 2007

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 696,587 was exposed to custodial credit risk because it was uninsured and uncollateralized .

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

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

	Due After One Year	Fund
Primary government		
Special assessments	\$ 656,607	Duck Lake

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>Unearned</u>
Primary government	
Other revenue	\$ <u>2,250</u>

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 18,897	\$ -	\$ -	\$ 18,897
Capital assets being depreciated				
Buildings, additions and improvements	255,531	-	-	255,531
Machinery and equipment	576,453	7,567	6,595	577,425
Total capital assets being depreciated	831,984	7,567	6,595	832,956
Less accumulated depreciation for				
Buildings, additions and improvements	143,172	4,629	-	147,801
Machinery and equipment	214,182	76,296	1,727	288,751
Total accumulated depreciation	357,354	80,925	1,727	436,552
Net capital assets being depreciated	474,630	(73,358)	4,868	396,404
Governmental activities capital assets, net	\$ 493,527	\$ (73,358)	\$ 4,868	\$ 415,301

Crystal Township
Notes to Financial Statements
June 30, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 232,446	\$ -	\$ -	\$ 232,446
Capital assets being depreciated				
Land improvements	976,005	-	-	976,005
Buildings, additions and improvements	303,677	-	-	303,677
Machinery and equipment	1,306,933	26,167	-	1,333,100
Sewer system	5,032,135	3,992	-	5,036,127
Total capital assets being depreciated	<u>7,618,750</u>	<u>30,159</u>	<u>-</u>	<u>7,648,909</u>
Less accumulated depreciation for				
Land improvements	670,055	24,462	-	694,517
Buildings, additions and improvements	206,296	7,592	-	213,888
Machinery and equipment	920,729	37,922	-	958,651
Sewer system	1,545,382	113,077	-	1,658,459
Total accumulated depreciation	<u>3,342,462</u>	<u>183,053</u>	<u>-</u>	<u>3,525,515</u>
Net capital assets being depreciated	<u>4,276,288</u>	<u>(152,894)</u>	<u>-</u>	<u>4,123,394</u>
Business-type capital assets, net	<u>\$ 4,508,734</u>	<u>\$ (152,894)</u>	<u>\$ -</u>	<u>\$ 4,355,840</u>

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

Governmental activities	
General government	\$ 4,713
Public safety	56,700
Public works	<u>19,512</u>
Total governmental activities	<u>80,925</u>
Business-type activities	
Sewer	122,658
Water	<u>60,395</u>
Total business-type activities	<u>183,053</u>
Total primary government	<u>\$ 263,978</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds		
Northwest TAC Lighting	Street Lighting Fund	\$ 327
Street Lighting Fund	General Fund	1,014
Sewer Fund	Duck Lake Fund	<u>34,874</u>
		<u>\$ 36,215</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Crystal Township
Notes to Financial Statements
June 30, 2007

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
Duck Lake Sanitary Drain Bonds Series A	\$ 814,000	3/1/2034	4.5%	\$15,000 - \$46,000	\$ 787,000	\$ -	\$ 15,000	\$ 772,000	\$ 15,000
Duck Lake Sanitary Drain Bonds Series B	337,000	3/1/2029	4.5%	\$6,000 - \$15,000	<u>254,570</u>	<u>-</u>	<u>36,565</u>	<u>218,005</u>	<u>6,000</u>
Total business-type activities					<u>\$ 1,041,570</u>	<u>\$ -</u>	<u>\$ 51,565</u>	<u>\$ 990,005</u>	<u>\$ 21,000</u>

Crystal Township
Notes to Financial Statements
June 30, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Business-type Activites	
	Principal	Interest
2008	\$ 21,000	\$ 43,444
2009	23,000	42,499
2010	24,000	41,464
2011	24,000	40,384
2012	26,000	39,304
2013-2017	148,000	177,940
2018-2022	184,000	141,486
2023-2027	223,435	96,262
2028-2032	201,000	48,420
2033-2034	<u>115,570</u>	<u>6,120</u>
	<u>\$ 990,005</u>	<u>\$ 677,323</u>

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. The Township contributes 6.2% of each employee's annual salary to the plan. All contributions are 100% vested. Pension expense charged to operations for the year ended June 30, 2007 was \$1,718,

which is for current service costs. There were no unfunded prior service costs.

The Township has a separate defined contribution plan covering all the employees of the Sewer Fund. The Township contributes 10% of each employee's annual salary to the plan. All contributions are 100% vested. Pension expense of the Sewer Fund for June 30, 2007 was \$8,068. The Township has no further liability to these plans.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The June 30, 2006 financial statements did not include \$24,569 of long term debt in the Duck Lake Enterprise Fund. This omission caused the beginning net assets to be overstated by \$24,569. The net assets at July 1, 2006 were restated to correct this omission.

Net assets – beginning of year	\$ 2,300,209
Correction for long term debt	<u>(24,569)</u>
Net assets – end of year (restated)	<u>\$ 2,275,640</u>

Crystal Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Taxes				
Property taxes	\$ 67,534	\$ 67,534	\$ 63,509	\$ (4,025)
Other taxes	-	-	1,283	1,283
Administration fee	24,000	24,000	29,627	5,627
State revenue sharing	199,158	199,158	190,023	(9,135)
Charges for services	14,800	14,800	11,990	(2,810)
Interest income	10,004	10,004	27,359	17,355
Rental income	300	300	625	325
Other revenue	<u>8,400</u>	<u>8,400</u>	<u>21,279</u>	<u>12,879</u>
Total revenues	<u>324,196</u>	<u>324,196</u>	<u>345,695</u>	<u>21,499</u>

See Accompanying Notes to Financial Statements

Crystal Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Township board	43,806	43,806	48,107	4,301
Supervisor	6,465	6,465	6,459	(6)
Clerk	12,470	12,470	14,221	1,751
Board of review	1,385	1,385	1,350	(35)
Treasurer	13,570	13,570	13,088	(482)
Assessor	30,800	30,800	32,465	1,665
Elections	1,400	1,400	4,199	2,799
Buildings and grounds	5,880	5,880	5,136	(744)
Cemetery	6,100	6,100	7,080	980
Total general government	<u>121,876</u>	<u>121,876</u>	<u>132,105</u>	<u>10,229</u>
Public safety				
Fire department	<u>26,870</u>	<u>26,870</u>	<u>24,155</u>	<u>(2,715)</u>
Public works				
Department of public works	41,570	41,570	49,754	8,184
Highways, streets and bridges	<u>95,642</u>	<u>95,642</u>	<u>34,199</u>	<u>(61,443)</u>
Total public works	<u>137,212</u>	<u>137,212</u>	<u>83,953</u>	<u>(53,259)</u>

See Accompanying Notes to Financial Statements

Crystal Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Recreation and culture				
Parks and recreation	2,000	2,000	-	(2,000)
Library	4,480	4,480	5,193	713
Total recreation and culture	6,480	6,480	5,193	(1,287)
Other functions				
Insurance and bonds	29,258	29,258	35,100	5,842
Capital outlay	10,100	10,100	2,909	(7,191)
Total expenditures	331,796	331,796	283,415	(48,381)
Excess (deficiency) of revenues over expenditures	(7,600)	(7,600)	62,280	69,880
Fund balance - beginning of year	154,643	154,643	154,643	-
Fund balance - end of year	<u>\$ 147,043</u>	<u>\$ 147,043</u>	<u>\$ 216,923</u>	<u>\$ 69,880</u>

See Accompanying Notes to Financial Statements

Crystal Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 75,920	\$ 75,920	\$ 76,112	\$ 192
Interest income	-	-	197	197
Total revenues	75,920	75,920	76,309	389
Expenditures				
Public safety	75,920	75,920	1,012	(74,908)
Excess of revenues over expenditures	-	-	75,297	75,297
Fund balance - beginning of year	41,122	41,122	41,122	-
Fund balance - end of year	\$ 41,122	\$ 41,122	\$ 116,419	\$ 75,297

See Accompanying Notes to Financial Statements

Crystal Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 98,247	\$ 98,247	\$ 98,500	\$ 253
Other state grants	1,300	1,300	1,140	(160)
Fines and forfeitures	200	200	278	78
Interest income	-	-	256	256
Total revenues	<u>99,747</u>	<u>99,747</u>	100,174	427
Expenditures				
Current				
Public safety	<u>75,499</u>	<u>75,499</u>	<u>69,881</u>	<u>(5,618)</u>
Excess of revenues over expenditures	24,248	24,248	30,293	6,045
Fund balance - beginning of year	<u>117,088</u>	<u>117,088</u>	<u>117,088</u>	<u>-</u>
Fund balance - end of year	<u>\$ 141,336</u>	<u>\$ 141,336</u>	<u>\$ 147,381</u>	<u>\$ 6,045</u>

See Accompanying Notes to Financial Statements

Crystal Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		
	Street Lights	Northwest TAC Lighting	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,758	\$ -	\$ 8,758
Due from other funds	1,014	327	1,341
Total assets	\$ 9,772	\$ 327	\$ 10,099
Liabilities			
Checks written against future deposits	\$ -	\$ 357	\$ 357
Accounts payable	2,016	-	2,016
Due to other funds	327	-	327
Total liabilities	2,343	357	2,700
Fund Balances			
Unreserved			
Undesignated (deficit)	7,429	(30)	7,399
Total liabilities and fund balances	\$ 9,772	\$ 327	\$ 10,099

See Accompanying Notes to Financial Statements

Crystal Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Street Lights</u>	<u>Northwest TAC Lighting</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Special assessments	\$ 23,680	\$ 348	\$ 24,028
Expenditures			
Current			
Public works	<u>26,800</u>	<u>438</u>	<u>27,238</u>
Net change in fund balance	(3,120)	(90)	(3,210)
Fund balance - beginning of year	<u>10,549</u>	<u>60</u>	<u>10,609</u>
Fund balance - end of year	<u>\$ 7,429</u>	<u>\$ (30)</u>	<u>\$ 7,399</u>

See Accompanying Notes to Financial Statements

Crystal Township
Other Supplemental Information
Component Unit - Downtown Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

Revenues

Taxes	\$ 6,588
Interest income	<u>200</u>
Total revenues	<u>6,788</u>

Expenditures

Current	
Other functions	<u>253</u>
Excess of revenues over expenditures	<u>6,535</u>
Fund balance - beginning of year	<u>5,115</u>
Fund balance - end of year	<u>\$11,650</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Crystal Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crystal Township as of and for the year ended June 30, 2007, which collectively comprise Crystal Township's basic financial statements and have issued our report thereon dated . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Crystal Township's internal control over financial reporting 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 Crystal Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crystal Township's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crystal Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Crystal Township, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 8, 2007



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

To the Members of the Township Board
Crystal Township

In planning and performing our audit of the financial statements of Crystal Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Crystal Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

JOURNAL ENTRIES

Do to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112, is effective for audits of financial statements for period ending on or after December 15, 2006. We proposed 23 journal entries that you approved and posted to your general ledger. The effect of such entries was to decrease net income by \$65,668. Substantially all of the entries were to make accruals and other adjustments that should have been made prior to our arrival for the audit. Efforts have already been made to resolve this issue for next year.

The following matters are comments and recommendations to help strengthen internal controls and operating efficiency. They are not considered significant deficiencies.

INTERNAL CONTROL DOCUMENTATION

As part of our audit planning procedures, we were required to obtain an understanding of internal control of Crystal Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that Crystal Township completely document and disseminate all internal control policies and procedures in one document. This ensures that

all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documentation but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in the procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

SEGREGATION OF DUTIES

During inquiry with township employees regarding internal control procedures for cash disbursements, it was noted that the Treasurer conducts all activity in the tax account including writing all checks, signing and mailing the checks, and preparing the bank reconciliation. In order to maintain a segregation of duties, we suggest that the Clerk or another check signatory mail the tax account checks after they are signed.

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

Yeo & Yeo, P.C.

Alma, Michigan
November 8, 2007