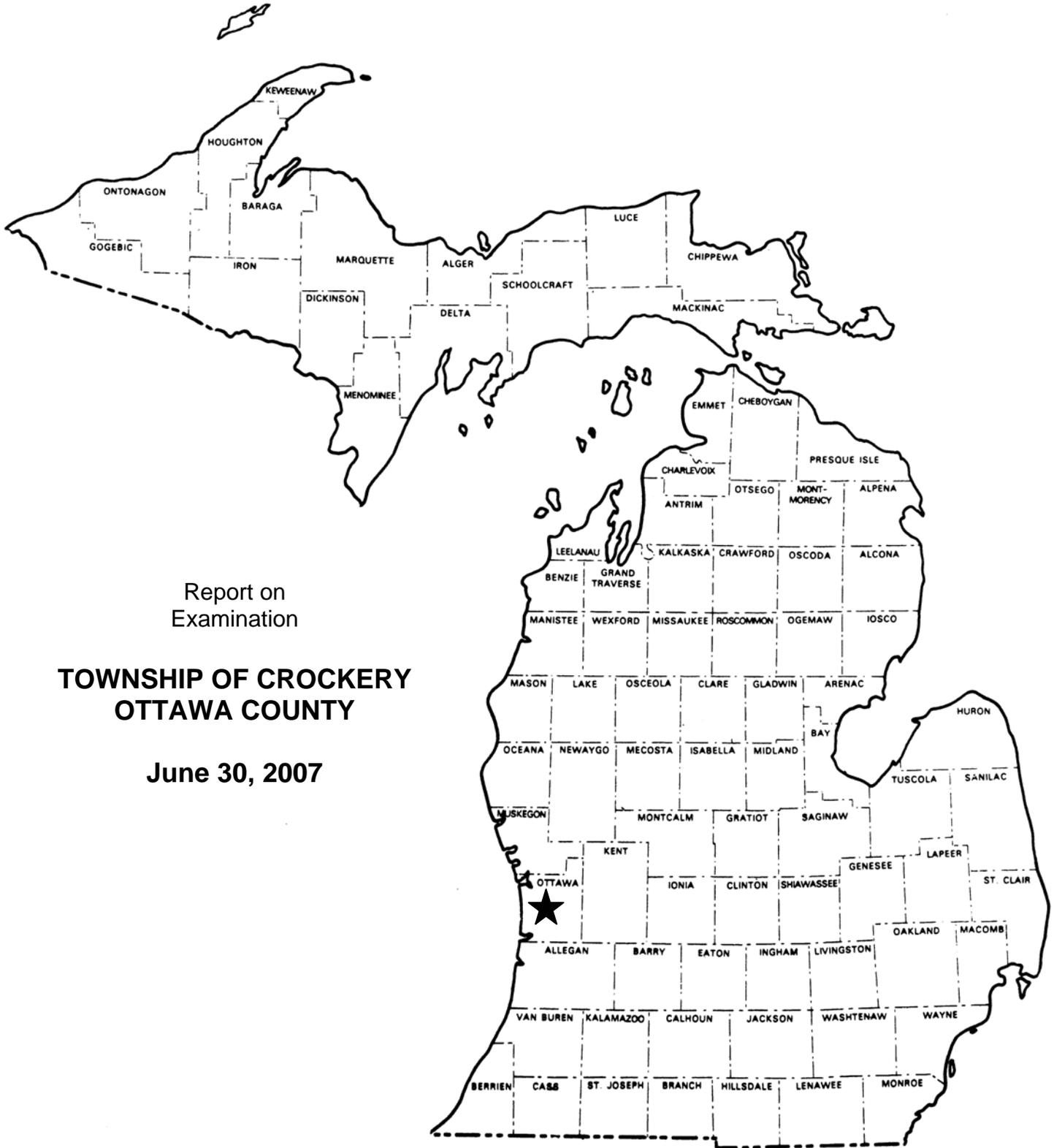


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**TOWNSHIP OF CROCKERY
OTTAWA COUNTY**

June 30, 2007

CROCKERY TOWNSHIP--OTTAWA COUNTY

TOWNSHIP BOARD

Leon Stille
Supervisor

Erika Harrison
Clerk

Judy VanBemmelen
Treasurer

Gordon Constantine
Trustee

Rich Suchecki
Trustee

TOWNSHIP POPULATION--2000

3,782

TAXABLE VALUATION--2006

\$108,754,166



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 13, 2007

Township of Crockery
Board of Trustees
17431 112th Avenue
Nunica, Michigan 49448

RE: Unqualified Opinions on Basic Financial Statements Accompanied by Required
Supplementary Information and Supplementary Information

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Crockery 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 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, each major fund, and the aggregate remaining fund information of Crockery 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 November 13, 2007 on our consideration of Crockery Township's internal control over financial

reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the budgetary comparisons for major funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries to management regarding the methods of measurements and the presentation of 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 Crockery Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements; and in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

TOWNSHIP OF CROCKERY--OTTAWA COUNTY

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CROCKERY TOWNSHIP--OTTAWA COUNTY
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 their 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

The Township's net assets for the governmental funds increased \$47,364 from a year ago due to positive action by the board to cut costs. As the board attempts to deliver the best services, it realizes these services may have to be paid for by voted millage to cover the expense. The Headlee Amendment has taken its toll on the amount we can levy for taxes with a drop from the 1.051 mills allowed in 1994 to the current .9085 in 2006. The transfer of funds for the payment of the fire station and the fire truck debt will continue to drain the General Fund by the amount equal to the shortfall of revenue from the special voted millage approved in 2000, the shortfall will continue to the year 2013. The Fire Department received a grant from the Grand Haven Community Foundation during the 2006-07 fiscal years.

In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

| | <u>Governmental Activities 2006</u> | <u>Governmental Activities 2007</u> | <u>Difference</u> | <u>Percent</u> |
|----------------------------|---|---|-------------------|----------------|
| Current and Other Assets | \$ 594,608 | \$ 643,711 | \$ 49,103 | 8% |
| Capital Assets | <u>950,656</u> | <u>854,420</u> | <u>(96,236)</u> | <u>-10%</u> |
| Total Assets | <u>1,545,264</u> | <u>1,498,131</u> | <u>(47,133)</u> | <u>-3%</u> |
| Current Liabilities | 46,861 | 27,757 | (19,104) | -41% |
| Long-Term Liabilities | <u>588,142</u> | <u>512,749</u> | <u>(75,393)</u> | <u>-13%</u> |
| Total Liabilities | <u>635,003</u> | <u>540,506</u> | <u>(94,497)</u> | <u>-15%</u> |
| Net Assets | | | | |
| Invested in Capital Assets | | | | |
| Net of Debt | 362,514 | 341,671 | (20,843) | -6% |
| Restricted | 47,966 | 42,082 | (5,884) | -12% |
| Unrestricted (Deficit) | <u>499,781</u> | <u>573,872</u> | <u>74,091</u> | <u>15%</u> |
| Total Net Assets | <u>\$ 910,261</u> | <u>\$ 957,625</u> | <u>\$ 47,364</u> | <u>5%</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

| | <u>Business-Type Activities 2006</u> | <u>Business-Type Activities 2007</u> | <u>Difference</u> | <u>Percent</u> |
|---|--|--|-------------------|----------------|
| Current and Other Assets | \$ 452,631 | \$ 503,892 | \$ 51,261 | 11% |
| Capital Assets | 4,794,815 | 4,876,120 | 81,305 | 2% |
| Total Assets | <u>5,287,446</u> | <u>5,380,012</u> | <u>92,566</u> | <u>2%</u> |
| Current and Other Liabilities | 55,098 | 108,214 | 53,116 | 96% |
| Long-Term Liabilities | 2,060,000 | 1,949,603 | (110,397) | -5% |
| Total Liabilities | <u>2,115,098</u> | <u>2,057,817</u> | <u>(57,281)</u> | <u>-3%</u> |
| Net Assets | | | | |
| Invested in Capital Assets Net of Debt | 2,734,815 | 3,141,120 | 406,305 | 15% |
| Unrestricted (Deficit) | 437,533 | 181,075 | (256,458) | -59% |
| Total Net Assets | <u>\$ 3,172,348</u> | <u>\$ 3,322,195</u> | <u>\$ 149,847</u> | <u>5%</u> |

The following table shows the changes of the net assets as of the current year to the prior year:

| | <u>Governmental Activities 2006</u> | <u>Governmental Activities 2007</u> | <u>Difference</u> | <u>Percent</u> |
|------------------------------------|---|---|--------------------|----------------|
| Program Revenues | | | | |
| Charges for Services | \$ 122,039 | \$ 131,209 | \$ 9,170 | 8% |
| Operating Grants and Contributions | 9,004 | 29,909 | 20,905 | 232% |
| Capital Grants and Contributions | 64,809 | 1,371 | (63,438) | -98% |
| General Revenues | | | | |
| Property Taxes | 264,405 | 280,560 | 16,155 | 6% |
| State-Shared Revenues | 259,890 | 254,380 | (5,510) | -2% |
| Unrestricted Investment Earnings | 14,486 | 20,112 | 5,626 | 39% |
| Loss on Equipment Disposal | (3,842) | | 3,842 | -100% |
| Other Revenue | 10,720 | 9,124 | (1,596) | -15% |
| Total Revenues | <u>741,511</u> | <u>726,665</u> | <u>(14,846)</u> | <u>-2%</u> |
| Program Expenses | | | | |
| General Government | 221,837 | 204,352 | (17,485) | -8% |
| Public Safety | 308,347 | 308,211 | (136) | 0% |
| Public Works | 35,287 | 11,567 | (23,720) | -67% |
| Community and Economic Development | 60,008 | 97,163 | 37,155 | 62% |
| Recreation and Culture | 27,163 | 30,435 | 3,272 | 12% |
| Interest on Long-Term Debt | 22,887 | 20,273 | (2,614) | -11% |
| Total Expenses | <u>675,529</u> | <u>672,001</u> | <u>(3,528)</u> | <u>-1%</u> |
| Transfers (Out) | | 7,300 | 7,300 | 100% |
| Change in Net Assets | <u>\$ 65,982</u> | <u>\$ 47,364</u> | <u>\$ (18,618)</u> | <u>-28%</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

| | Business-Type Activities <u>2006</u> | Business-Type Activities <u>2007</u> | <u>Difference</u> | <u>Percent</u> |
|----------------------------------|--|--|-----------------------|----------------|
| Program Revenues | | | | |
| Charges for Services | \$ 221,844 | \$ 195,471 | \$ (26,373) | -12% |
| Capital Grants and Contributions | 1,020,000 | 261,397 | (758,603) | 100% |
| General Revenues | | | | |
| Unrestricted Investment Earnings | 66,000 | 51,321 | (14,679) | -22% |
| Other Revenue | <u>287,017</u> | <u> </u> | <u>(287,017)</u> | <u>-100%</u> |
| Total Revenues | <u>1,594,861</u> | <u>508,189</u> | <u>(1,086,672)</u> | <u>-68%</u> |
| Program Expenses | | | | |
| Water and Sewer | 241,965 | 337,166 | 95,201 | 39% |
| Interest Expense | 115,609 | 74,935 | <u>(40,674)</u> | <u>-35%</u> |
| Total Expenses | <u>357,574</u> | <u>412,101</u> | <u>54,527</u> | <u>15%</u> |
| Transfers In | <u> </u> | <u>7,300</u> | <u>7,300</u> | <u>100%</u> |
| Change in Net Assets | <u>\$1,237,287</u> | <u>\$ 103,388</u> | <u>\$ (1,133,899)</u> | <u>-92%</u> |

With the building of a sewer plant and the expansion of the water system, we hope to see growth in the Township's taxable base. The Township recognizes growth is necessary in order to meet its obligations. The building of a new fire station and the purchase of a fire truck, at a cost well beyond the amount of the projected millage, has left the Township's General Fund with a burden over the next 6 years of making up the deficiency of approximately \$18,000 each year. Although revenue was up in the General Fund, it was due to a large purchase of cemetery lots and the recovery of court costs associated with property cleanup. Due to budget constraint the Township Board eliminated brining of roads and closed the library. With the downturn in the housing industry, the Building Fund was adjusted to reflect the decrease in revenue from permits.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

| | Governmental Funds <u>2006</u> | Governmental Funds <u>2007</u> | <u>Difference</u> | <u>Percent</u> |
|------------------------------------|--------------------------------------|--------------------------------------|-------------------|----------------|
| Revenues | | | | |
| Taxes and Penalties | \$ 264,405 | \$ 280,560 | \$ 16,155 | 6% |
| Licenses and Permits | 71,681 | 46,418 | (25,263) | -35% |
| Federal Grants | 64,809 | 1,371 | (63,438) | -98% |
| State Grants | 266,500 | 260,980 | (5,520) | -2% |
| Charges for Services | 32,451 | 53,674 | 21,223 | 65% |
| Fines and Forfeits | 515 | 5,478 | 4,963 | 964% |
| Interest and Rentals | 27,935 | 39,746 | 11,811 | 42% |
| Other Revenue | <u>20,106</u> | <u>38,438</u> | <u>18,332</u> | <u>91%</u> |
| Total Revenues | <u>748,402</u> | <u>726,665</u> | <u>(21,737)</u> | <u>-3%</u> |
| Program Expenses | | | | |
| General Government | 209,426 | 192,992 | (16,434) | -8% |
| Public Safety | 212,747 | 216,975 | 4,228 | 2% |
| Public Works | 35,287 | 11,567 | (23,720) | -67% |
| Community and Economic Development | 60,008 | 97,163 | 37,155 | 62% |
| Recreation and Culture | 24,799 | 28,071 | 3,272 | 13% |
| Capital Outlay | 71,300 | 8,725 | (62,575) | -88% |
| Debt Service | <u>95,665</u> | <u>95,665</u> | <u>-</u> | <u>0%</u> |
| Total Expenses | <u>709,232</u> | <u>651,158</u> | <u>(58,074)</u> | <u>-8%</u> |
| Change in Fund Balance | <u>\$ 39,170</u> | <u>\$ 75,507</u> | <u>\$ 36,337</u> | <u>93%</u> |

The Township's total general revenues show an increase over the budgeted amount of the fiscal year ending June 30, 2007. State Shared Revenue decreased by \$15,977 for the fiscal year, which is 60% of the budget. We have put fee schedules in place to recover costs association with any building, zoning & planning projects that the Township may incur. The courts awarded the Township monies to recover the cost of cleaning up two parcels of property in violation of the zoning ordinance. Our taxable values have increased, but due to the Headlee Amendment our revenue can only increase by using the cost of living and consumer price index formula, which amounted to \$6,098 for 2006-07. Another factor that will play a part in the taxable value is the number of foreclosures in Crockery Township. The Township will continue to struggle with the shortfall for making payments on the fire station/fire truck debt. The monthly operation costs for the sewer plant will also place a burden on the General Fund.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to approximately 30% of Township residents, which is purchased from the North Ottawa Water System (NOWS). The NOWS system is made up of the Cities of Grand Haven and Ferrysburg; the Townships of Spring Lake, Grand Haven, and Robinson; and the Village of Spring Lake. Crockery Township is a customer of Spring Lake Township and is included in their water projections.

The Township's Funds

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Fire Operating Fund, Fire Station and Truck Fund, Sewer Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$192,992 in 2007. These services are supported by the operating millage and State shared revenues. The two fire funds are for the operations and equipment/building loan of the fire department, which are supported by two special voted millages recorded in their own respective funds. The voted millage expires in the year 2013. These funds record the receipts from the special millage and the transfer from the General Fund to meet their obligations. The Fire Operating Fund's millage does not meet the operating requirements and the Fire Station and Truck Fund's millage does not meet the annual debt requirement and requires subsidization from the General Fund.

General Fund Budgetary Highlights

The Township Board amended the budget to take into account events occurring during the year, which were not anticipated at the time the budget was prepared in June. In December of 2004, we purchased the general ledger accounting package, which has given us more updated monthly financial reports to work with each month.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$4,855,378 invested in a broad range of capital assets, including buildings, fire equipment, fire vehicles, and the sewer and water system. To pay for the majority of these capital assets, especially the sewer and water system, fire station, and fire truck, the Township entered into various debt obligations totaling \$2,247,749.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007-08 will be a challenge. The taxable value increased 9.5 percent and will only produce \$98,750 in General Fund revenue. Excessive spending in building a new fire station and purchasing a fire truck will hinder future purchases until the debt is paid in 2013. In 2002, a new fire station was built and a new truck purchased for a total cost of \$972,778. This was financed with a loan of \$800,000 for 10 years. The annual loan payment is \$95,665. The amount collected from the voted millage is approximately \$78,074. The General Fund will continue to subsidize payments for the next 6 years.

Crockery Township will be responsible for the cost of the daily operations of the sewer system, as well as making bond payments starting in the year 2017. The Sewer Fund will operate in a deficit until a customer base is able to cover the cost of operations. Each year the General Fund will have to transfer funds to the Sewer Fund to cover the shortfall. With the opening of the sewer plant, a sewer ordinance and rate resolution was put into effect. Rates will need to be reviewed and adjusted on a yearly basis.

In order to keep the Water Fund healthy, rates and connection fees were adjusted in the 2006-07 fiscal year. In November of 2005, a new water ordinance was put into effect and each year the rates are adjusted by resolution. Currently, water service income does not cover system expense.

State Shared Revenue is 60% of the General Fund budget and the amount we receive has been decreasing each year.

Future Township Boards will be challenged by the amount of debt currently owed for the sewer system and fire station/truck debt. There is also the challenge in the water fund to build up a reserve in the event of a failure on some part of the water system. Parts of the water system are now over 30 years old. It will be critical that future Township Boards have good financial information from reliable professionals that are familiar with government accounting and the property tax structure (such as the headlee rollback).

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office, 17431 112th Avenue, Nunica, Michigan 49448.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2007**

EXHIBIT A

| <u>ASSETS</u> | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 528,847 | \$ 104,080 | \$ 632,927 |
| Investments | | 332,931 | 332,931 |
| Receivables | | | |
| Special Assessments | | 35,244 | 35,244 |
| Accounts | 9,892 | 51,637 | 61,529 |
| Prepaid Expenses | 3,190 | | 3,190 |
| Internal Balances | 20,000 | (20,000) | - |
| Due From State | 81,782 | | 81,782 |
| Total Current Assets | 643,711 | 503,892 | 1,147,603 |
| Noncurrent Assets | | | |
| Due From County | | 154,965 | 154,965 |
| Due From Private Sources | | 420,000 | 420,000 |
| Special Assessment Receivable | | 300,197 | 300,197 |
| Capital Assets--Net of Accumulated Depreciation | 854,420 | 4,000,958 | 4,855,378 |
| Total Noncurrent Assets | 854,420 | 4,876,120 | 5,730,540 |
| Total Assets | \$ 1,498,131 | \$ 5,380,012 | \$ 6,878,143 |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 13,752 | \$ 32,816 | \$ 46,568 |
| Due to Other Units of Government | | 75,000 | 75,000 |
| Deposits Held in Trust | 2,000 | | 2,000 |
| Accrued Liabilities | 12,005 | 398 | 12,403 |
| Total Current Liabilities | 27,757 | 108,214 | 135,971 |
| Long-Term Liabilities | | | |
| Contracts Payable | | 214,603 | 214,603 |
| Notes Payable--Due Within One Year | 78,100 | | 78,100 |
| Notes Payable--Due in More Than One Year | 434,649 | | 434,649 |
| Bonds Payable--Due Within One Year | | 100,000 | 100,000 |
| Bonds Payable--Due in More Than One Year | | 1,635,000 | 1,635,000 |
| Total Noncurrent Liabilities | 512,749 | 1,949,603 | 2,462,352 |
| Total Liabilities | 540,506 | 2,057,817 | 2,598,323 |
| Net Assets | | | |
| Investment in Capital Assets--Net of Related Debt | 341,671 | 3,141,120 | 3,482,791 |
| Restricted for | | | |
| Fire Operating | 2,598 | | 2,598 |
| Fire Station and Truck | 1 | | 1 |
| Liquor Law Enforcement | 2,942 | | 2,942 |
| Street Lights | (2,280) | | (2,280) |
| Building Department | 38,821 | | 38,821 |
| Unrestricted | 573,872 | 181,075 | 754,947 |
| Total Net Assets | \$ 957,625 | \$ 3,322,195 | \$ 4,279,820 |

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

**CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

EXHIBIT B

| Functions/Programs | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | |
|--|---------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Government Activites | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | \$ 204,352 | \$ 53,934 | | | \$ (150,418) | | \$ (150,418) |
| Public Safety | 308,211 | 42,169 | \$24,739 | \$ 1,371 | (239,932) | | (239,932) |
| Public Works | 11,567 | 7,283 | 5,170 | | 886 | | 886 |
| Community and Economic Development | 97,163 | 27,823 | | | (69,340) | | (69,340) |
| Recreation and Culture | 30,435 | | | | (30,435) | | (30,435) |
| Interest on Long-Term Debt | 20,273 | | | | (20,273) | | (20,273) |
| Total Governmental Activities | 672,001 | 131,209 | 29,909 | 1,371 | (509,512) | \$ - | (509,512) |
| Business-Type Activites | | | | | | | |
| Sewer Fund | 167,239 | 10,147 | | 177,084 | | 19,992 | 19,992 |
| Water Fund | 244,862 | 185,324 | | 84,313 | | 24,775 | 24,775 |
| Total Business-Type Activities | 412,101 | 195,471 | - | 261,397 | - | 44,767 | 44,767 |
| Total | \$ 1,084,102 | \$ 326,680 | \$ 29,909 | \$ 262,768 | \$ (509,512) | \$ 44,767 | \$ (464,745) |
| General Revenues | | | | | | | |
| Property Taxes | | | | | \$ 280,560 | | \$ 280,560 |
| State-Shared Revenues | | | | | 254,380 | | 254,380 |
| Unrestricted Investment Earnings | | | | | 20,112 | \$ 51,321 | 71,433 |
| Other | | | | | 9,124 | | 9,124 |
| Transfers | | | | | (7,300) | 7,300 | - |
| Total General Revenues--Special Items and Transfers | | | | | 556,876 | 58,621 | 615,497 |
| Change in Net Assets | | | | | 47,364 | 103,388 | 150,752 |
| Net Assets--Beginning | | | | | 910,261 | 3,172,348 | 4,082,609 |
| Restatement to Net Assets | | | | | | 46,459 | 46,459 |
| Restated Net Assets | | | | | 910,261 | 3,218,807 | 4,129,068 |
| Net Assets--Ending | | | | | \$ 957,625 | \$3,322,195 | \$ 4,279,820 |

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

**CROCKERY TOWNSHIP--OTTAWA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

EXHIBIT C

| | <u>SPECIAL REVENUE FUNDS</u> | | | | Total Governmental Funds |
|---|-------------------------------------|-------------------|---------------------------|------------------|--------------------------------|
| | General | Fire Operating | Fire Station and Truck | Non-Major | |
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | \$ 484,643 | \$ 1,501 | \$ 1 | \$ 42,702 | \$ 528,847 |
| Accounts Receivable | | 9,892 | | | 9,892 |
| Due From State | 81,782 | | | | 81,782 |
| Due From Other Funds | 20,000 | | | | 20,000 |
| Prepaid Expenses | 1,109 | 1,901 | | 180 | 3,190 |
| Total Assets | <u>\$ 587,534</u> | <u>\$ 13,294</u> | <u>\$ 1</u> | <u>\$ 42,882</u> | <u>\$ 643,711</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 7,383 | \$ 3,684 | | \$ 2,685 | \$ 13,752 |
| Accrued Liabilities | 4,279 | 7,012 | | 714 | 12,005 |
| Deposits Held in Trust | 2,000 | | | | 2,000 |
| Total Liabilities | <u>13,662</u> | <u>10,696</u> | <u>\$ -</u> | <u>3,399</u> | <u>27,757</u> |
| Fund Equity | | | | | |
| Fund Balances | | | | | |
| Unreserved--Undesignated | 573,872 | 2,598 | 1 | 39,483 | 615,954 |
| Total Fund Equity | <u>573,872</u> | <u>2,598</u> | <u>1</u> | <u>39,483</u> | <u>615,954</u> |
| Total Liabilities and Fund Equity | <u>\$ 587,534</u> | <u>\$ 13,294</u> | <u>\$ 1</u> | <u>\$ 42,882</u> | <u>\$ 643,711</u> |
| Fund Balances--Total Governmental Funds | | | | | \$ 615,954 |
| 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. | | | | | 854,420 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | | | | | <u>(512,749)</u> |
| Net Assets of Governmental Activities | | | | | <u>\$ 957,625</u> |

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

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

EXHIBIT D

| | General | Fire Operating | Fire Station and Truck | Non-Major | Total Governmental Funds |
|--|------------------|-------------------|---------------------------|---------------|--------------------------------|
| Revenues | | | | | |
| Taxes and Penalties | \$ 128,918 | \$ 75,821 | \$ 75,821 | | \$ 280,560 |
| Licenses and Permits | 4,249 | | | \$ 42,169 | 46,418 |
| Federal Grants | | | | 1,371 | 1,371 |
| State Grants | 259,550 | | | 1,430 | 260,980 |
| Charges for Services | 53,674 | | | | 53,674 |
| Fines and Forfeits | 5,206 | | | 272 | 5,478 |
| Interest and Rentals | 39,730 | 16 | | - | 39,746 |
| Other Revenue | 9,124 | 23,021 | | 6,293 | 38,438 |
| Total Revenues | 500,451 | 98,858 | 75,821 | 51,535 | 726,665 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | 192,992 | | | | 192,992 |
| Public Safety | | 166,823 | | 50,152 | 216,975 |
| Public Works | 2,994 | | | 8,573 | 11,567 |
| Community and Economic Development | 97,163 | | | | 97,163 |
| Recreation and Cultural | 28,071 | | | | 28,071 |
| Capital Outlay | | 7,437 | | 1,288 | 8,725 |
| Debt Service | | | | | |
| Principal | | | 75,392 | | 75,392 |
| Interest | | | 20,273 | | 20,273 |
| Total Expenditures | 321,220 | 174,260 | 95,665 | 60,013 | 651,158 |
| Excess of Revenues Over (Under) Expenditures | 179,231 | (75,402) | (19,844) | (8,478) | 75,507 |
| Other Financing Sources (Uses) | | | | | |
| Interfund Transfers In | | 78,000 | 19,840 | - | 97,840 |
| Interfund Transfers (Out) | (105,140) | | | - | (105,140) |
| Total Other Financing Sources (Uses) | (105,140) | 78,000 | 19,840 | - | (7,300) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 74,091 | 2,598 | (4) | (8,478) | 68,207 |
| Fund Balance--July 1, 2006 | 499,781 | - | 5 | 47,961 | 547,747 |
| Fund Balance--June 30, 2007 | \$ 573,872 | \$ 2,598 | \$ 1 | \$ 39,483 | \$ 615,954 |

Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses \$ 68,207

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. (96,235)

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).

75,392

Change in Net Assets of Governmental Activities

\$ 47,364

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

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

EXHIBIT E

| <u>ASSETS</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | | Total Enterprise Funds |
|--|--|--------------|------------------------------|
| | Sewer | Water | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 37 | \$ 104,043 | \$ 104,080 |
| Investments | | 332,931 | 332,931 |
| Receivables | | | |
| Special Assessments | | 35,244 | 35,244 |
| Accounts | 4,003 | 47,634 | 51,637 |
| Total Current Assets | 4,040 | 519,852 | 523,892 |
| Noncurrent Assets | | | |
| Due From County | 106,519 | 48,446 | 154,965 |
| Due From Private Sources | 420,000 | | 420,000 |
| Special Assessments | | 300,197 | 300,197 |
| Capital Assets | | | |
| Net of Accumulated Depreciation | 1,678,262 | 2,322,696 | 4,000,958 |
| Total Noncurrent Assets | 2,204,781 | 2,671,339 | 4,876,120 |
| Total Assets | \$ 2,208,821 | \$ 3,191,191 | \$ 5,400,012 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 221 | \$ 32,595 | \$ 32,816 |
| Due to Other Funds | | 20,000 | 20,000 |
| Due to Other Units of Government | 75,000 | | 75,000 |
| Accrued Liabilities | | 398 | 398 |
| Total Current Liabilities | 75,221 | 52,993 | 128,214 |
| Noncurrent Liabilities | | | |
| Contracts Payable | 72,916 | 141,687 | 214,603 |
| Bonds Payable--Due Within One Year | | 100,000 | 100,000 |
| Bonds Payable--Due in More Than One Year | 1,045,000 | 590,000 | 1,635,000 |
| Total Noncurrent Liabilities | 1,117,916 | 831,687 | 1,949,603 |
| Total Liabilities | 1,193,137 | 884,680 | 2,077,817 |
| <u>NET ASSETS</u> | | | |
| Invested in Capital Assets | | | |
| Net of Related Debt | 1,159,781 | 1,981,339 | 3,141,120 |
| Unrestricted | (144,097) | 325,172 | 181,075 |
| Total Net Assets | \$ 1,015,684 | \$ 2,306,511 | \$ 3,322,195 |

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

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended June 30, 2007

EXHIBIT F

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | Total |
|--|---------------------------------|-------------|------------------|
| | Sewer | Water | Enterprise Funds |
| Operating Revenues | | | |
| Charges for Services | \$ 10,147 | \$ 185,324 | \$ 195,471 |
| Total Operating Revenues | 10,147 | 185,324 | 195,471 |
| Operating Expenses | | | |
| Salaries and Wages | | 7,954 | 7,954 |
| Contractual Services | 88,233 | 35,160 | 123,393 |
| Materials and Supplies | 92 | 7,589 | 7,681 |
| Water Purchased | | 42,720 | 42,720 |
| Equipment Repair and Maintenance | | 27,783 | 27,783 |
| Utilities | | 6,808 | 6,808 |
| Casualty and Liability Costs | | 2,681 | 2,681 |
| Depreciation | 36,622 | 81,524 | 118,146 |
| Total Operating Expenses | 124,947 | 212,219 | 337,166 |
| Operating Income (Loss) | (114,800) | (26,895) | (141,695) |
| Nonoperating Revenues (Expenses) | | | |
| Interest Earned on Investments | 7,032 | 44,289 | 51,321 |
| Interest Expense | (42,292) | (32,643) | (74,935) |
| Total Nonoperating Revenues (Expenses) | (35,260) | 11,646 | (23,614) |
| Net Income (Loss) Before Contributions and Transfers | (150,060) | (15,249) | (165,309) |
| Capital Contributions | 177,084 | 84,313 | 261,397 |
| Transfers | 7,300 | | 7,300 |
| Change in Net Assets | 34,324 | 69,064 | 103,388 |
| Total Net Assets--July 1, 2006 | 981,360 | 2,190,988 | 3,172,348 |
| Restatement to Net Assets | | 46,459 | 46,459 |
| Restated Net Assets--July 1, 2006 | | 2,237,447 | 2,237,447 |
| Total Net Assets--June 30, 2007 | \$1,015,684 | \$2,306,511 | \$ 3,322,195 |

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

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

EXHIBIT G

| | <u>BUSINESS-TYPE ACTIVITIES</u> | | Total |
|--|---------------------------------|-------------|------------------|
| | Sewer | Water | Enterprise Funds |
| Cash Flows From Operating Activities | | | |
| Cash Received From Customers | \$ 8,866 | \$ 177,988 | \$ 186,854 |
| Cash Payments to Employees for Services and Benefits | | (8,213) | (8,213) |
| Cash Payments to Suppliers for Goods and Services | (13,104) | (104,587) | (117,691) |
| Net Cash Provided by Operating Activities | (4,238) | 65,188 | 60,950 |
| Cash Flows From Noncapital Financing Activities | | | |
| Due To Other Funds | | (20,000) | (20,000) |
| Transfer In | 7,300 | | 7,300 |
| Special Assessments | | 83,361 | 83,361 |
| Net Cash Provided by Noncapital Financing Activities | 7,300 | 63,361 | 70,661 |
| Cash Flows From Capital and Related Financing Activities | | | |
| Due From County | (41,213) | (1,987) | (43,200) |
| Private Contributions | 300,000 | | 300,000 |
| Acquisition of Capital Assets | 6,606 | | 6,606 |
| Reduction of Debt | (230,000) | (95,000) | (325,000) |
| Interest Paid on Bonds | (42,292) | (32,643) | (74,935) |
| Net Cash Provided by Capital and Related Financing Activities | (6,899) | (129,630) | (136,529) |
| Cash Flows From Investing Activities | | | |
| Interest on Cash Equivalents | 7,032 | 23,225 | 30,257 |
| Sale or (Purchase) of Investments | | (47,794) | (47,794) |
| Net Cash Provided by Investing Activities | 7,032 | (24,569) | (17,537) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,195 | (25,650) | (22,455) |
| Cash and Cash Equivalents at Beginning of Year | (3,158) | 129,693 | 126,535 |
| Cash and Cash Equivalents at End of Year | \$ 37 | \$ 104,043 | \$ 104,080 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | |
| Operating Income (Loss) | \$ (114,800) | \$ (26,895) | \$ (141,695) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | |
| Depreciation Expense | 36,622 | 81,524 | 118,146 |
| (Increase) Decrease in Accounts Receivable | (1,281) | (7,336) | (8,617) |
| Increase (Decrease) in Accounts Payable | 75,221 | 18,154 | 93,375 |
| Increase (Decrease) in Accrued Wages Payable | | (259) | (259) |
| Net Cash Provided by Operating Activities | \$ (4,238) | \$ 65,188 | \$ 60,950 |

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

**CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2007**

EXHIBIT H

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | <u>\$ 17</u> |
| Total Assets | <u><u>\$ 17</u></u> |
| <u>LIABILITIES</u> | |
| Liabilities | |
| Undistributed Taxes | <u>\$ 17</u> |
| Total Liabilities | <u><u>\$ 17</u></u> |

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

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crockery Township 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 Crockery Township:

Reporting Entity

Crockery Township is located in Ottawa County and provides services to approximately 3,782 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Crockery Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. 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.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 when it is both measurable and available. Revenues are 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 township.

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

The township reports the following major governmental funds:

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

The Fire Operating Fund accounts for the millage revenue and is reserved for the operation of the fire department.

The Fire Station and Truck Fund accounts for the millage revenue and is reserved for the purchase of the fire station, the fire truck and the repayment of the related debt.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major proprietary funds:

The Water Fund accounts for the water operations of the township.

The Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses, not meeting this definition, are reported as nonoperating revenues and expenses.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less, when acquired, are considered to be cash equivalents. The statement of cash flows includes both restricted and unrestricted cash.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| | <u>Governmental Funds</u> | <u>Enterprise Funds</u> |
|------------------------------------|-------------------------------|-----------------------------|
| Land Improvements | 15 to 30 years | |
| Building and Building Improvements | 20 to 40 years | |
| Vehicles | 3 to 10 years | |
| Equipment | 3 to 10 years | |
| Sewer and Water System | | 40 years |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the 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. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year, the township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Fund, Function and Activity</u> | <u>Final Amended Budget</u> | <u>Actual Expenditures</u> | <u>Excess Expenditures</u> |
|---|---------------------------------|--------------------------------|--------------------------------|
| General Fund | | | |
| General Government | | | |
| Attorney | \$ 11,646 | \$ 11,743 | \$ (97) |
| Treasurer | 24,652 | 24,653 | (1) |
| Transfers (Out)--Fire Station and Truck | 19,755 | 19,840 | (85) |

Fund Deficits

Crockery Township has an accumulated deficit of \$2,280 in the fund balance of the Building Fund and an accumulated deficit of \$144,097 in the unrestricted net assets in the Sewer Fund.

Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Crockery Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

At year end, the township'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</u> |
|---------------------------|------------------------------------|-------------------------------------|-----------------------------|-------------------|
| Cash and Cash Equivalents | \$ 528,847 | \$104,080 | \$ 17 | \$ 632,944 |
| Investments | <u> </u> | <u>332,931</u> | <u> </u> | <u>332,931</u> |
| Total | <u>\$ 528,847</u> | <u>\$437,011</u> | <u>\$ 17</u> | <u>\$ 965,875</u> |

The breakdown between deposits and investments is as follows:

| | <u>Primary Government</u> |
|---|-------------------------------|
| Bank Deposits (Checking and Savings Accounts, Certificates of Deposit) | \$ 632,594 |
| Investments in Money Market and Government Operating Money Market | 332,931 |
| Petty Cash and Cash on Hand | <u>350</u> |
| Total | <u>\$ 965,875</u> |

The bank balance of the primary government's deposits is \$640,099, of which \$200,000 is covered by Federal depository insurance.

Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township has limited their investments to money markets. The investment policy does not contain any specific provisions intended to limit the exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by participating in money markets which hold diverse investments that are authorized by law for direct investment.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2007, the township had the following investments:

| | <u>Reported Amount (Fair Value)</u> |
|-----------------------------------|---|
| Investments | |
| Government Operating Money Market | <u>\$332,931</u> |
| Total Primary Government | <u><u>\$332,931</u></u> |

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Government Operating Money Market has a credit rating of Aaa as assigned by Moody's Investors Service.

The investment policy of the township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2006. It is the policy of Crockery Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2006 taxable valuation of Crockery Township amounted to \$108,754,166, on which ad valorem taxes of .9085 mills were levied for township operating purposes, .6975 mills for fire operations, and .6975 for the fire station and truck resulting in property tax revenue of \$98,803, \$75,856, and \$75,856, respectively, during the fiscal year ended June 30, 2007. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

NOTE E--RECEIVABLES

Special Assessments Receivable-Governmental Funds

The township collects special assessments in the Water Fund to collect for expenses incurred by the township to create the water system. The special assessments are billed in July and placed on the tax bills if not collected. As of June 30, 2007, the Water Fund has special assessments receivable of \$335,441.

Accounts Receivable

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$4,003 and \$47,634, respectively.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|--------------------------|---------------------------------|-------------|------------------------------|
| General | <u>\$ 20,000</u> | Water | <u>\$20,000</u> |
| Total Primary Government | <u><u>\$ 20,000</u></u> | | <u><u>\$20,000</u></u> |

The 2007 operating transfers from Exhibits D can be summarized as follows:

| | <u>Transfers In</u> | <u>Transfers (Out)</u> |
|------------------------|--------------------------|--------------------------|
| General | | \$ 105,140 |
| Fire Operating | \$ 78,000 | |
| Fire Station and Truck | 19,840 | |
| Sewer | <u>7,300</u> | |
| Total | <u><u>\$ 105,140</u></u> | <u><u>\$ 105,140</u></u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

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

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 500 | | | \$ 500 |
| Subtotal | 500 | \$ - | \$ - | 500 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 60,322 | | | 60,322 |
| Building and Building Improvements | 662,397 | | | 662,397 |
| Equipment | 137,424 | 8,725 | 8,150 | 137,999 |
| Vehicles | 733,806 | | | 733,806 |
| Subtotal | 1,593,949 | 8,725 | 8,150 | 1,594,524 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | 50,646 | 3,085 | | 53,731 |
| Building and Building Improvements | 165,840 | 18,052 | | 183,892 |
| Equipment | 39,690 | 34,540 | 8,150 | 66,080 |
| Vehicles | 387,617 | 49,284 | | 436,901 |
| Subtotal | 643,793 | 104,961 | 8,150 | 740,604 |
| Net Capital Assets Being Depreciated | 950,156 | (96,236) | - | 853,920 |
| Governmental Activities Capital Total | | | | |
| Capital Assets--Net of Depreciation | <u>\$ 950,656</u> | <u>\$ (96,236)</u> | <u>\$ -</u> | <u>\$ 854,420</u> |

The depreciation expense was \$104,961 during the year.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

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

| <u>Business-Type Activities</u> | Restated Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------------------|-------------------|-----------------|---------------------|
| Capital Assets Being Depreciated | | | | |
| Sewer System | \$ 1,471,490 | \$ 250,000 | \$ 6,606 | \$ 1,714,884 |
| Water System | 3,260,962 | 226,000 | | 3,486,962 |
| Subtotal | <u>4,732,452</u> | <u>476,000</u> | <u>6,606</u> | <u>5,201,846</u> |
| Less Accumulated Depreciation | | | | |
| Sewer System | | 36,622 | | 36,622 |
| Water System | 1,082,742 | 81,524 | | 1,164,266 |
| Subtotal | <u>1,082,742</u> | <u>118,146</u> | <u>-</u> | <u>1,200,888</u> |
| Net Capital Assets Being Depreciated | <u>3,649,710</u> | <u>357,854</u> | <u>6,606</u> | <u>4,000,958</u> |
| Total Capital Assets--Net of Depreciation | <u>\$ 3,649,710</u> | <u>\$ 357,854</u> | <u>\$ 6,606</u> | <u>\$ 4,000,958</u> |

The depreciation expense was \$118,146 during the year.

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

| | |
|--------------------------------|-------------------|
| Governmental Activities | |
| General Government | \$ 11,361 |
| Public Safety | 91,236 |
| Recreational and Cultural | <u>2,364</u> |
| Total Governmental Activities | <u>\$ 104,961</u> |
| Business-Type Activities | |
| Sewer | \$ 36,622 |
| Water | <u>81,524</u> |
| Total Business-Type Activities | <u>\$ 118,146</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

| | <u>Balance 07/01/06</u> | <u>Additions (Reductions)</u> | <u>Balance 06/30/07</u> | <u>Due Within One Year</u> |
|--|-----------------------------|-----------------------------------|-----------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | |
| Crockery Township Note Payable of \$450,243 for ten years at an interest rate of 3.56% due in semiannual installments for the construction of a new fire station. | \$ 330,685 | \$ (42,390) | \$ 288,295 | \$ 43,912 |
| Crockery Township Note Payable of \$349,757 for ten years at an interest rate of 3.56% due in semiannual installments for the purchase of the new fire truck. | <u>257,457</u> | <u>(33,003)</u> | <u>224,454</u> | <u>34,188</u> |
| Total Governmental Activities | <u>\$ 588,142</u> | <u>\$ (75,393)</u> | <u>\$ 512,749</u> | <u>\$ 78,100</u> |
| <u>Business-Type Activities</u> | | | | |
| Crockery Township bonds due in annual installments of \$20,000 to \$230,000 for 20 years at an interest rate ranging from 2% to 4.375% for establishing the sewer system. | \$1,275,000 | \$(230,000) | \$1,045,000 | |
| Crockery Township refunded bonds due in annual installments of \$55,000 \$85,000 for ten years at an interest rate 3.8% to 4.7% for establishing the water system. | 170,000 | (85,000) | 85,000 | \$ 85,000 |
| Crockery Township refunded bonds due in annual installments of \$10,000 to \$20,000 for 20 years at an interest rate ranging from 3.8% to 5.25% for establishing the water system. | 195,000 | (10,000) | 185,000 | 10,000 |
| Crockery Township bonds due in annual installments of \$0 to \$35,000 for 20 years at an interest rate ranging from 3.625% to 4.3% for district #11 of the water system. | <u>420,000</u> | <u> </u> | <u>420,000</u> | <u> </u> |
| | <u>\$2,060,000</u> | <u>\$ (325,000)</u> | <u>\$1,735,000</u> | <u>\$ 95,000</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at June 30, 2007, are as follows:

Date of Issue: June 1, 2003

Amount: \$450,243

Purpose: Fire Station

| <u>Year</u> | <u>Principal</u> | | <u>Interest</u> | | <u>Annual Total</u> |
|-------------|-------------------|-------------------|------------------|------------------|-------------------------|
| | <u>Dec 1</u> | <u>June 1</u> | <u>Dec 1</u> | <u>June 1</u> | |
| 2008 | \$ 21,762 | \$ 22,150 | \$ 5,132 | \$ 4,744 | \$ 53,788 |
| 2009 | 22,544 | 22,945 | 4,350 | 3,949 | 53,788 |
| 2010 | 23,354 | 23,769 | 3,540 | 3,125 | 53,788 |
| 2011 | 24,193 | 24,623 | 2,702 | 2,271 | 53,789 |
| 2012 | 25,061 | 25,508 | 1,833 | 1,386 | 53,788 |
| 2013 | 25,962 | 26,424 | 932 | 470 | 53,788 |
| | <u>\$ 142,876</u> | <u>\$ 145,419</u> | <u>\$ 18,489</u> | <u>\$ 15,945</u> | <u>\$ 322,729</u> |

Date of Issue: June 1, 2003

Amount: \$349,757

Purpose: Fire Truck

| <u>Year</u> | <u>Principal</u> | | <u>Interest</u> | | <u>Annual Total</u> |
|-------------|------------------|------------------|-----------------|-----------------|-------------------------|
| | <u>Dec 1</u> | <u>June 1</u> | <u>Dec 1</u> | <u>June 1</u> | |
| 2008 | \$ 16,943 | \$ 17,245 | \$ 3,995 | \$ 3,694 | \$ 41,877 |
| 2009 | 17,552 | 17,864 | 3,387 | 3,074 | 41,877 |
| 2010 | 18,182 | 18,506 | 2,756 | 2,433 | 41,877 |
| 2011 | 18,835 | 19,171 | 2,103 | 1,768 | 41,877 |
| 2012 | 19,512 | 19,859 | 1,427 | 1,079 | 41,877 |
| 2013 | 20,213 | 20,572 | 726 | 366 | 41,877 |
| | <u>\$111,237</u> | <u>\$113,217</u> | <u>\$14,394</u> | <u>\$12,414</u> | <u>\$251,262</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: October 6, 2004
 Amount: \$1,275,000
 Purpose: Establish Sewer System

| <u>Year</u> | <u>Principal Nov 1</u> | <u>Interest</u> | <u>Annual Total</u> | <u>Due From Private Source</u> |
|-------------|----------------------------|------------------|-------------------------|------------------------------------|
| 2008 | | \$ 39,991 | \$ 39,991 | |
| 2009 | \$ 20,000 | 39,991 | 59,991 | \$ 45,000 |
| 2010 | 25,000 | 39,016 | 64,016 | 45,000 |
| 2011 | 30,000 | 38,191 | 68,191 | 45,000 |
| 2012 | 40,000 | 37,121 | 77,121 | 45,000 |
| 2013-2017 | 355,000 | 156,488 | 511,488 | 180,000 |
| 2018-2022 | 325,000 | 88,279 | 413,279 | 60,000 |
| 2023-2025 | <u>250,000</u> | <u>16,415</u> | <u>266,415</u> | |
| | <u>\$ 1,045,000</u> | <u>\$455,492</u> | <u>\$ 1,500,492</u> | <u>\$420,000</u> |

In 2004, the township lost a lawsuit to Eastbrook Development and was court ordered to establish a sewer system. The Ottawa County Road Commission completed building the sewer system with \$1,275,000 of bonds issued by the road commission for the township. As part of the lawsuit, Eastbrook is to contribute \$1,020,000 to assist in funding the establishment of the sewer system. As of June 30, 2006, the amount due from the Eastbrook (private sources) was \$420,000 and is displayed in the above schedule. The operational expenses related to the sewer system will be recovered through charges determined by the township.

Date of Issue: November 1, 1998
 Amount: \$720,000
 Purpose: Establish Water System (Refunded Bonds)

| <u>Year</u> | <u>Interest</u> | <u>Principal</u> |
|-------------|-----------------|------------------|
| 2008 | 4.70% | <u>\$ 85,000</u> |
| | | <u>\$ 85,000</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: November 1, 1998

Amount: \$275,000

Purpose: Establish Water System (Refunded Bonds)

| <u>Year</u> | <u>Principal Nov 1</u> | <u>Interest</u> | | <u>Annual Total</u> |
|-------------|----------------------------|-----------------|-----------------|-------------------------|
| | | <u>May 1</u> | <u>Nov 1</u> | |
| 2007 | \$ 15,000 | | \$ 4,755 | \$ 19,755 |
| 2008 | 15,000 | \$ 4,403 | 4,402 | 23,805 |
| 2009 | 15,000 | 4,043 | 4,043 | 23,086 |
| 20010 | 15,000 | 3,675 | 3,675 | 22,350 |
| 20011 | 15,000 | 3,281 | 3,281 | 21,562 |
| 2012-2016 | 90,000 | 10,107 | 10,106 | 110,213 |
| 2017 | <u>20,000</u> | <u>525</u> | <u>525</u> | <u>21,050</u> |
| | <u>\$185,000</u> | <u>\$26,034</u> | <u>\$30,787</u> | <u>\$241,821</u> |

Date of Issue: June 23, 2005

Amount: \$420,000

Purpose: Establish Water System District #11

| <u>Year</u> | <u>Principal Nov 1</u> | <u>Interest</u> | <u>Annual Total</u> |
|-------------|----------------------------|------------------|-------------------------|
| 2008 | | \$ 16,628 | \$ 16,628 |
| 2009 | \$ 15,000 | 16,357 | 31,357 |
| 2010 | 15,000 | 15,803 | 30,803 |
| 2011 | 15,000 | 15,270 | 30,270 |
| 2012 | 20,000 | 14,635 | 34,635 |
| 2013-2017 | 100,000 | 62,246 | 162,246 |
| 2018-2022 | 130,000 | 40,359 | 170,359 |
| 2023-2025 | <u>125,000</u> | <u>11,037</u> | <u>136,037</u> |
| | <u>\$420,000</u> | <u>\$192,335</u> | <u>\$ 612,335</u> |

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended June 30, 2007, was as follows:

| | <u>Sewer</u> | <u>Water</u> |
|--------------------------|--------------|--------------|
| Operating Revenues | \$ 10,147 | \$ 185,324 |
| Operating Income (Loss) | (114,800) | (26,895) |
| Net Income (Loss) | (150,060) | (15,249) |
| Capital Assets Less | | |
| Accumulated Depreciation | 1,678,262 | 2,322,696 |
| Net Working Capital | (71,181) | 466,859 |
| Long-Term Debt | 1,045,000 | 690,000 |
| Total Assets | 2,208,821 | 3,191,191 |
| Total Equity | 1,015,684 | 2,306,511 |

NOTE J--RISK MANAGEMENT

Crockery Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE K--COMMITMENTS

On August 1, 1984, Crockery Township entered into an agreement with Spring Lake Township for the use of the Spring Lake Water Distribution System, a portion of Spring Lake's capacity rights in the Northwest Ottawa County Water System, and for the right to draw water from the system. According to the agreement, Crockery Township agreed to special assess the residents bordering Spring Lake Township as the residents connected to the water system. Residents are not required to use the township's water system and, therefore, would not be special assessed. Because of this, Crockery Township has a balance of \$157,628 to be paid back at some point in the future as the residents access the water system and the special assessments become available.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE L--CONTRACT PAYABLE

On October 22, 2007, Crockery Township approved the final payback agreement to Eastbrook Development for the sewer and water extension construction projects completed by Eastbrook Development on behalf of the township. The costs of these projects were to be shared by both Eastbrook Development and Crockery Township. The total cost of the sewer project was \$250,000 and Crockery Township's portion of the costs was \$72,916. The total cost of the water project was \$226,000 and Crockery Township's portion of the costs was \$141,687. As of June 30, 2007, this is the contract payable balance in the Sewer and Water Funds.

According to the agreement, repayment of these balances is to be made semiannually on March 1 and September 1 of each calendar year. The Sewer Fund's contract payable is to be paid to Eastbrook Development the sum of \$350 per unit, as defined in the Township's Sewer Connection, Use and Rate Ordinance for each of the premises in the Sewer Service Area that connects to the system for sewer service. The Water Fund's contract payable is to be paid to Eastbrook Development based on a per lineal frontage charge for each of the premises in the water service area as defined by the Township's Water System Ordinance.

The agreement is to terminate the earlier of 20 years after this agreement or the date of the receipt of the contract payable by Eastbrook Development. No interest is accrued during the term of this agreement.

NOTE M--RESTATEMENT OF NET ASSETS

Beginning Net Capital Asset Restatement

When bonds were issued by the County Department of Public Works, the bonds were received by the County Department of Public Works who was also responsible for the oversight of the construction of the water extension. Currently, the County Department of Public Works has \$46,459 remaining of the bond issuance to be used to pay towards the balance of the bonds. Net Assets has been restated to record this balance on the financial statements of the township.

| | |
|--|---------------------------|
| Beginning Net Assets of the Water Fund | \$2,190,988 |
| Remaining Bond Proceeds Not Recorded | <u>46,459</u> |
| Restated Net Assets at June 30, 2006 | <u><u>\$2,237,447</u></u> |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007**

EXHIBIT I

| | <u>BUDGETED AMOUNTS</u> | | | Variance With |
|---|-------------------------|------------|------------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes and Penalties | \$ 128,197 | \$ 129,094 | \$ 128,918 | \$ (176) |
| Licenses and Permits | 3,900 | 4,250 | 4,249 | (1) |
| State Grants | 270,357 | 259,550 | 259,550 | - |
| Charges for Services | 21,800 | 51,890 | 53,674 | 1,784 |
| Fines and Forfeits | 500 | 5,200 | 5,206 | 6 |
| Interest and Rentals | 27,500 | 38,600 | 39,730 | 1,130 |
| Other Revenue | 3,554 | 9,100 | 9,124 | 24 |
| Total Revenues | 455,808 | 497,684 | 500,451 | 2,767 |
| Expenditures | | | | |
| Current | | | | |
| General Government | 210,932 | 196,249 | 192,992 | 3,257 |
| Public Works | 43,134 | 2,995 | 2,994 | 1 |
| Community and Economic Development | 65,595 | 98,629 | 97,163 | 1,466 |
| Recreation and Cultural | 30,480 | 28,275 | 28,071 | 204 |
| Total Expenditures | 350,141 | 326,148 | 321,220 | 4,928 |
| Excess of Revenues Over (Under) Expenditures | 105,667 | 171,536 | 179,231 | 7,695 |
| Other Financing Sources (Uses) | | | | |
| Interfund Transfers (Out) | (105,667) | (112,967) | (105,140) | 7,827 |
| Total Other Financing Sources (Uses) | (105,667) | (112,967) | (105,140) | 7,827 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | 58,569 | 74,091 | 15,522 |
| Fund Balance--July 1, 2006 | - | - | 499,781 | 499,781 |
| Fund Balance--June 30, 2007 | \$ - | \$ 58,569 | \$ 573,872 | \$ 515,303 |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MAJOR SPECIAL REVENUE FUND
 FIRE OPERATING FUND
 For the Year Ended June 30, 2007**

EXHIBIT J

| | <u>BUDGETED AMOUNTS</u> | | | Variance With |
|---|--------------------------------|-----------------|-----------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 75,913 | \$ 75,913 | \$ 75,821 | \$ (92) |
| Interest | 100 | 100 | 16 | (84) |
| Other Revenue | 1,700 | 23,022 | 23,021 | (1) |
| Total Revenues | <u>77,713</u> | <u>99,035</u> | <u>98,858</u> | <u>(177)</u> |
| Expenditures | | | | |
| Public Safety | 152,625 | 174,617 | 166,823 | 7,794 |
| Capital Outlay | 11,000 | 10,330 | 7,437 | 2,893 |
| Total Expenditures | <u>163,625</u> | <u>184,947</u> | <u>174,260</u> | <u>10,687</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(85,912)</u> | <u>(85,912)</u> | <u>(75,402)</u> | <u>10,510</u> |
| Other Financing Sources (Uses) | | | | |
| Interfund Transfers In | 85,912 | 85,912 | 78,000 | (7,912) |
| Total Other Financing Sources (Uses) | <u>85,912</u> | <u>85,912</u> | <u>78,000</u> | <u>(7,912)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | 2,598 | 2,598 |
| Fund Balance--July 1, 2006 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance--June 30, 2007 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,598</u> | <u>\$ 2,598</u> |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUND
FIRE STATION AND TRUCK
For the Year Ended June 30, 2007**

EXHIBIT K

| | <u>BUDGETED AMOUNTS</u> | | | Variance With |
|---|-------------------------|-----------|-----------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 75,913 | \$ 75,913 | \$ 75,821 | \$(92) |
| Total Revenues | 75,913 | 75,913 | 75,821 | (92) |
| Expenditures | | | | |
| Debt Service | | | | |
| Principal | 72,778 | 75,395 | 75,392 | 3 |
| Interest | 22,890 | 20,273 | 20,273 | - |
| Total Expenditures | 95,668 | 95,668 | 95,665 | 3 |
| Excess of Revenues Over (Under) Expenditures | (19,755) | (19,755) | (19,844) | (89) |
| Other Financing Sources (Uses) | | | | |
| Interfund Transfers In | 19,755 | 19,755 | 19,840 | 85 |
| Total Other Financing Sources (Uses) | 19,755 | 19,755 | 19,840 | 85 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | (4) | (4) |
| Fund Balance--July 1, 2006 | - | - | 5 | 5 |
| Fund Balance--June 30, 2007 | \$ - | \$ - | \$ 1 | \$ 1 |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2007**

EXHIBIT L

SPECIAL REVENUE FUNDS

| | Fire Federal Grant | Liquor Law | Street Lights | Building Department | Total |
|---|--------------------------|---------------|------------------|------------------------|-----------|
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | | \$ 3,023 | \$ (2,280) | \$ 41,959 | \$ 42,702 |
| Prepaid Expenses | | | | 180 | 180 |
| Total Assets | \$ - | \$ 3,023 | \$ (2,280) | \$ 42,139 | \$ 42,882 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Accounts Payable | | | | \$ 2,685 | \$ 2,685 |
| Accrued Liabilities | | \$ 81 | | 633 | 714 |
| Total Liabilities | \$ - | 81 | \$ - | 3,318 | 3,399 |
| Fund Balances | | | | | |
| Unreserved--Undesignated | - | 2,942 | (2,280) | 38,821 | 39,483 |
| Total Fund Balances | - | 2,942 | (2,280) | 38,821 | 39,483 |
| Total Liabilities and Fund Balances | \$ - | \$ 3,023 | \$ (2,280) | \$ 42,139 | \$ 42,882 |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007**

EXHIBIT M

| | SPECIAL REVENUE FUNDS | | | | |
|--|------------------------------|---------------|------------------|------------------------|---------------|
| | Fire Federal Grant | Liquor Law | Street Lights | Building Department | Total |
| Revenues | | | | | |
| Licenses and Permits | | | | \$42,169 | \$42,169 |
| Federal Grants | \$ 1,371 | | | | 1,371 |
| State Grants | | \$1,430 | | | 1,430 |
| Fines and Forfeits | | | | 272 | 272 |
| Other | | | \$ 6,293 | | 6,293 |
| Total Revenues | 1,371 | 1,430 | 6,293 | 42,441 | 51,535 |
| Expenditures | | | | | |
| Public Safety | 2,669 | 1,019 | | 46,464 | 50,152 |
| Public Works | | | 8,573 | | 8,573 |
| Capital Outlay | | | | 1,288 | 1,288 |
| Total Expenditures | 2,669 | 1,019 | 8,573 | 47,752 | 60,013 |
| Excess of Revenue Over (Under) Expenditures | (1,298) | 411 | (2,280) | (5,311) | (8,478) |
| Fund Balance--July 1, 2006 | 1,298 | 2,531 | - | 44,132 | 47,961 |
| Fund Balance--June 30, 2007 | \$ - | \$2,942 | \$ (2,280) | \$38,821 | \$39,483 |

**CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING
SOURCES--BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2007**

EXHIBIT N

| | BUDGETED AMOUNTS | | | Variance With |
|------------------------------------|-------------------------|-------------------|-------------------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Taxes and Penalties | | | | |
| Current Property Taxes | \$ 101,347 | \$ 98,804 | \$ 98,762 | \$ (42) |
| Delinquent Personal Property Taxes | 500 | 500 | - | (500) |
| Trailer Park Taxes | 650 | 650 | 929 | 279 |
| Interest and Penalties on Taxes | 700 | 700 | 786 | 86 |
| Property Tax Administration Fees | 25,000 | 28,440 | 28,441 | 1 |
| Total Taxes and Penalties | 128,197 | 129,094 | 128,918 | (176) |
| Licenses and Permits | | | | |
| Licenses and Permits | 300 | 300 | 300 | - |
| Cable Franchise Fees | 3,600 | 3,950 | 3,949 | (1) |
| Total Licenses and Permits | 3,900 | 4,250 | 4,249 | (1) |
| State Grants | | | | |
| Revenue Sharing | 270,357 | 254,380 | 254,380 | - |
| Metro Act | - | 5,170 | 5,170 | - |
| Total State Grants | 270,357 | 259,550 | 259,550 | - |
| Charges for Services | | | | |
| Election Reimbursement | - | 1,220 | 1,879 | 659 |
| Grave Openings | 6,000 | 3,875 | 3,875 | - |
| Summer Collection | 6,500 | 6,500 | 6,496 | (4) |
| Cemetery Sale of Lots | 2,000 | 15,700 | 15,700 | - |
| Zoning Changes | 2,500 | 1,400 | 1,400 | - |
| Zoning Application Fees | - | 800 | 825 | 25 |
| Zoning Books | 400 | 400 | 420 | 20 |
| Zoning-Site Plan Land Development | 100 | 100 | 715 | 615 |
| Planning Commission | 500 | 500 | 850 | 350 |
| Escrow Funds | - | 18,000 | 18,107 | 107 |
| Pop Machine Income | 500 | 500 | 322 | (178) |
| Brine Income | 700 | 700 | 990 | 290 |
| Title Search Income | 2,500 | 2,095 | 2,095 | - |
| Other Charges for Services | 100 | 100 | - | (100) |
| Total Charges for Services | 21,800 | 51,890 | 53,674 | 1,784 |
| Fines and Forfeitures | | | | |
| Ordinance Fines | 500 | 5,200 | 5,206 | 6 |
| Total Fines and Forfeitures | 500 | 5,200 | 5,206 | 6 |
| Interest and Rents | | | | |
| Interest Earned | 7,500 | 18,600 | 20,112 | 1,512 |
| Rental Income | 20,000 | 20,000 | 19,618 | (382) |
| Total Interest and Rents | 27,500 | 38,600 | 39,730 | 1,130 |
| Other Revenues | | | | |
| Sale of Fixed Assets | - | 2,000 | 2,000 | - |
| Refunds and Reimbursements | 3,554 | 7,100 | 7,124 | 24 |
| Total Other Revenues | 3,554 | 9,100 | 9,124 | 24 |
| Total Revenue | \$ 455,808 | \$ 497,684 | \$ 500,451 | \$ 2,767 |

CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2007

EXHIBIT O

| | <u>BUDGETED AMOUNTS</u> | | | Variance With |
|--|--------------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget Positive (Negative) |
| General Government | | | | |
| Township Board | \$ 7,384 | \$ 5,247 | \$ 5,244 | \$ 3 |
| Supervisor | 14,133 | 11,680 | 11,430 | 250 |
| Elections | 8,700 | 8,144 | 8,130 | 14 |
| Audit | 5,500 | 5,500 | 5,273 | 227 |
| Assessor | 20,850 | 20,500 | 19,811 | 689 |
| Attorney | 10,000 | 11,646 | 11,743 | (97) |
| Clerk | 18,272 | 16,684 | 16,652 | 32 |
| Board of Review | 690 | 540 | 441 | 99 |
| Treasurer | 30,452 | 24,652 | 24,653 | (1) |
| Building and Grounds | 50,545 | 50,252 | 49,085 | 1,167 |
| Cemetery | 9,666 | 16,244 | 16,223 | 21 |
| General Administration | 34,740 | 25,160 | 24,307 | 853 |
| Total General Government | 210,932 | 196,249 | 192,992 | 3,257 |
| Public Works | | | | |
| Drains | 5,000 | 1,000 | 1,000 | - |
| Road Maintenance | 27,000 | 495 | 495 | - |
| Street Lights | 1,500 | 1,500 | 1,499 | 1 |
| Water | 9,634 | - | - | - |
| Total Public Works | 43,134 | 2,995 | 2,994 | 1 |
| Community Development | | | | |
| Planning Commission | 12,405 | 18,574 | 18,083 | 491 |
| Zoning Board | 51,560 | 79,475 | 78,542 | 933 |
| Zoning Board of Appeals | 1,630 | 580 | 538 | 42 |
| Total Community Development | 65,595 | 98,629 | 97,163 | 1,466 |
| Recreational and Cultural | | | | |
| Recreational | 1,200 | 1,200 | 1,000 | 200 |
| Library | 29,280 | 27,075 | 27,071 | 4 |
| Total Recreational and Cultural | 30,480 | 28,275 | 28,071 | 204 |
| Total Expenditures | 350,141 | 326,148 | 321,220 | 4,928 |
| Other Financing Uses | | | | |
| Interfund Transfers (Out) | | | | |
| Fire Operating | 85,912 | 85,912 | 78,000 | 7,912 |
| Fire Station and Truck | 19,755 | 19,755 | 19,840 | (85) |
| Sewer | - | 7,300 | 7,300 | - |
| Total Other Financing Uses | 105,667 | 112,967 | 105,140 | 7,827 |
| Total Expenditures and Other Financing Uses | \$ 455,808 | \$ 439,115 | \$ 426,360 | \$12,755 |



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 13, 2007

Township of Crockery
Board of Trustees
17431 112th Avenue
Nunica, Michigan 49448

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Cass County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise Crockery Township's basic financial statements and have issued our report thereon dated November 13, 2007. 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 Crockery 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 Crockery Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crockery 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 township'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 township's financial statements that is more than inconsequential will not be prevented or detected by the township'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 township's internal control.

Our consideration of 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 Crockery 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 two instances of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as item 2007-1.

This report is intended solely for the information of Crockery Township's Township Board and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CROCKERY TOWNSHIP--OTTAWA COUNTY

SCHEDULE OF FINDINGS

STATUTORY NONCOMPLIANCE

Fund Deficits

Finding 2007-01

Condition: Crockery Township has an accumulated deficit of \$2,280 in the fund balance of the Street Light Fund and \$144,097 in the unrestricted net assets in the Sewer Fund.

Criteria: Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

Direction: We direct that the township prepare the deficit elimination plan as required by State statute.