

**Crystal Township**  
**Montcalm County, Michigan**  
**Annual Financial Statements**  
**and**  
**Independent Auditors' Report**  
**June 30, 2014**

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**Crystal Township**  
**List of Elected and Appointed Officials**  
**June 30, 2014**

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Township Board

Christopher Johnston, Supervisor

Bob Naumann, Clerk

Ted Padgett, Treasurer

Curt McCracken, Trustee

Jason Anderson, Trustee



## Independent Auditors' Report

Township Board  
Crystal Township

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crystal Township, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of Crystal Township, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters:**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crystal Township's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of Crystal Township's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crystal Township's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Alma, MI  
December 1, 2014

**Crystal Township  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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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, 2014. 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, 2014.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position 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, 2014**

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**The Crystal Township as a Whole**

The following table shows, in a condensed format, the net position as of the June 30, 2014 and 2013:

	Governmental Activities	Business-type Activities	Total 2014	Total 2013
<b>Assets</b>				
Other assets	\$ 747,325	\$ 1,136,754	\$ 1,884,079	\$ 2,093,692
Capital assets	574,389	3,428,355	4,002,744	3,875,628
<b>Total assets</b>	<b>1,321,714</b>	<b>4,565,109</b>	<b>5,886,823</b>	<b>5,969,320</b>
<b>Current and long term liabilities</b>				
Current liabilities	43,041	39,569	82,610	70,777
Long term liabilities	-	615,000	615,000	650,000
<b>Total liabilities</b>	<b>43,041</b>	<b>654,569</b>	<b>697,610</b>	<b>720,777</b>
<b>Net Position</b>				
Net investment in capital assets	574,389	2,792,355	3,366,744	3,205,628
Restricted	416,238	16,376	416,238	622,092
Unrestricted	288,046	1,101,809	1,406,231	1,420,823
<b>Total net position</b>	<b>\$ 1,278,673</b>	<b>\$ 3,910,540</b>	<b>\$ 5,189,213</b>	<b>\$ 5,248,543</b>

Crystal Township's net position of governmental activities is \$1,278,673 and \$3,910,540 for business type activities; of these amounts \$288,046 (governmental) and \$1,101,809 (business-type) are unrestricted.

**Crystal Township  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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The following table shows, in a condensed format, the statement of activities as of June 30, 2014 and 2013:

	Governmental Activities	Business-type Activities	Total 2014	Total 2013
<b>Revenue</b>				
Program revenue				
Charges for services	\$ 44,441	\$ 304,437	\$ 348,878	\$ 277,282
Operating grants and contributions	4,740	-	4,740	150
General revenue:				
Property taxes and special assessments	333,835	-	333,835	378,782
State-shared revenue	201,716	-	201,716	197,092
Interest	716	323	1,039	2,857
Other revenue	6,373	3,964	10,337	51,677
Total revenue	<u>591,821</u>	<u>308,724</u>	<u>900,545</u>	<u>907,840</u>
<b>Program expenses</b>				
General government	161,282	-	161,282	164,945
Public safety	120,093	-	120,093	140,864
Public works	269,056	-	269,056	198,879
Recreation and culture	4,721	-	4,721	4,572
Sewer	-	304,553	304,553	327,231
Duck Lake	-	100,170	100,170	99,773
Total program expenses	<u>555,152</u>	<u>404,723</u>	<u>959,875</u>	<u>936,264</u>
<b>Change in net position</b>	<u>\$ 36,669</u>	<u>\$ (95,999)</u>	<u>\$ (59,330)</u>	<u>\$ (28,424)</u>

**Governmental Activities**

Crystal Township's total governmental activity revenues were \$591,821 for the year ending June 30, 2014, a decrease of \$18,397 or 3% from the prior year. In the prior year, there was a donation of \$30,000 from one of the Township's tenants. The funds were used to make capital improvements to the interior of the Community Hall building. No such donation was made in the current year.

**Crystal Township  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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Governmental activity expenditures were \$555,152 for the year ending June 30, 2014, an increase of \$45,892 or 9% from the prior year. The majority of the increase is the result of more road projects during the current year. Expenditures in the Road Fund were up \$47,690 from the prior year.

### **Business Type Activities**

The Township also provides municipal sanitary sewer to its residents. The business type activities revenue increased \$11,102 or 3.7% from the prior year. The majority of this increase is related to revenue collected for catch basin cleaning.

The business type activities expenditures decreased \$22,281 or 5.2% from the prior year. Expenditures incurred for repairs and maintenance decreased along with the insurance rates.

The Township's long-term debt decreased by \$34,000 for the year ending June 30, 2014. This decrease is due to the payments of the Duck Lake sanitary drain bond series A. As of June 30, 2014, the outstanding balance on the bonds was \$636,000.

### **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, Roads, and Lighting Funds. Crystal Township's governmental major funds include General Fund, Fire Operations and Equipment Fund, and Roads 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. Fund balance increased \$12,953 during the year ending June 30, 2014 and was \$329,824 at June 30, 2014.

b) **Fire Operations and Equipment Fund**

The Fire Operations and Equipment Fund is funded through a special assessment approved by the residents. The Assessment collected in 2013-14 was \$88,388. Fund balance decreased \$141,180 during the year ending June 30, 2014 and was a deficit \$42,314 at June 30, 2014. The Township purposely went into a deficit in this fund in order to complete the Fire Hall Building renovation. This fund borrowed funds from the General Fund, and will repay them as the special assessment is collected.

**Crystal Township  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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c) **Roads Fund**

The Roads Fund is funded through a special assessment approved by the residents. The Assessment collected in 2013-14 was \$106,066. Fund balance increased \$1,416 during the year ending June 30, 2014 and was \$124,299 at June 30, 2014.

**General Fund Budgetary Highlights**

The Township adopts an original budget prior to the start of the fiscal year. The budget can be amended throughout the fiscal year. Prior to the end of the fiscal year, a final budget is adopted. The table below summarizes the changes from the original budget to the final budget.

	Revenues		
	Original Budget	Final Budget	Change
General Fund	\$ 299,043	\$ 299,043	\$ -
Fire Operations and Equipment Fund	96,050	96,050	-
Roads Fund	103,020	103,020	-
	Expenditures		
	Original Budget	Final Budget	Change
General Fund	\$ 334,996	\$ 410,525	\$ 75,529
Fire Operations and Equipment Fund	96,000	96,000	-
Roads Fund	100,000	104,700	4,700

The General Fund expenditure budget was increased due to increased insurance rates, and more planned capital expenditures. The Roads Fund expenditure budget was increased to accommodate the price of the approved road projects.

**Crystal Township  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**Capital Assets**

At June 30, 2014, Crystal Township has \$1,291,154 (Governmental Activities) and \$8,066,559 (Business-type Activities) invested in a wide range of capital assets, including land, buildings, vehicles, machinery and equipment, and a sewer system. The total accumulated depreciation as of June 30, 2014 was \$716,765 (Governmental Activities) and \$4,638,204 (Business-type Activities). The net capital asset balance at the end of the fiscal year is \$574,389 (Governmental Activities) and \$3,428,355 (Business-type Activities).

The most significant capital improvement made by the Township was the fire hall building renovation.

**Economic Factors and Next Year's Budgets and Rates**

Revenues appear to be more stable now than in the past few years. The Township Board will continue to review expenditures to ensure that revenue is sufficient to operate the Township.

**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 Position**  
**June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 663,108	\$ 273,862	\$ 936,970	\$ 16,218
Receivables				
Customers	-	30,350	30,350	-
Special assessments	-	692,868	692,868	-
Accrued interest and other	536	-	536	-
Due from other units of government	75,386	4,215	79,601	-
Prepaid items	8,295	9,061	17,356	-
Restricted assets				
Cash and cash equivalents	-	126,398	126,398	-
Capital assets not being depreciated	24,397	232,446	256,843	-
Net capital assets being depreciated	549,992	3,195,909	3,745,901	-
<b>Total assets</b>	<b>1,321,714</b>	<b>4,565,109</b>	<b>5,886,823</b>	<b>16,218</b>
<b>Liabilities</b>				
Accounts payable	34,344	7,244	41,588	-
Accrued and other liabilities	6,072	11,325	17,397	-
Unearned revenue	2,625	-	2,625	-
Noncurrent liabilities				
Due within one year	-	21,000	21,000	-
Due in more than one year	-	615,000	615,000	-
<b>Total liabilities</b>	<b>43,041</b>	<b>654,569</b>	<b>697,610</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	574,389	2,792,355	3,366,744	-
Restricted	416,238	16,376	432,614	-
Unrestricted	288,046	1,101,809	1,389,855	16,218
<b>Total net position</b>	<b>\$ 1,278,673</b>	<b>\$ 3,910,540</b>	<b>\$ 5,189,213</b>	<b>\$ 16,218</b>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 161,282	\$ 35,936	\$ -	\$ -	\$ (125,346)	\$ -	\$ (125,346)	\$ -
Public safety	120,093	8,505	300	-	(111,288)	-	(111,288)	-
Public works	269,056	-	4,440	-	(264,616)	-	(264,616)	-
Recreation and culture	4,721	-	-	-	(4,721)	-	(4,721)	-
Total governmental activities	555,152	44,441	4,740	-	(505,971)	-	(505,971)	-
Business-type activities								
Sewer	304,553	219,383	-	-	-	(85,170)	(85,170)	-
Duck lake sewer	100,170	85,054	-	-	-	(15,116)	(15,116)	-
Total business-type activities	404,723	304,437	-	-	-	(100,286)	(100,286)	-
Total primary government	\$ 959,875	\$ 348,878	\$ 4,740	\$ -	(505,971)	(100,286)	(606,257)	-
<b>Component unit</b>								
Downtown Development Authority	\$ 8,953	\$ -	\$ 6,876	\$ -				(2,077)
General revenues								
Property taxes and special assessments					333,835	-	333,835	4,351
State shared revenue					201,716	-	201,716	-
Unrestricted investment earnings					716	323	1,039	45
Gain on sale of capital assets					4,400	-	4,400	-
Miscellaneous					1,973	3,964	5,937	-
Total general revenues					542,640	4,287	546,927	4,396
Change in net position					36,669	(95,999)	(59,330)	2,319
Net position - beginning of year					1,242,004	4,006,539	5,248,543	13,899
Net position - end of year					\$ 1,278,673	\$ 3,910,540	\$ 5,189,213	\$ 16,218

See Accompanying Notes to Financial Statements

**Crystal Township  
Governmental Funds  
Balance Sheet  
June 30, 2014**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire Operations and Equipment	Roads		
<b>Assets</b>					
Cash and cash equivalents	\$ 236,921	\$ -	\$ 124,299	\$ 301,888	\$ 663,108
Receivables					
Accrued interest and other	-	-	-	536	536
Due from other units of government	75,386	-	-	-	75,386
Due from other funds	39,689	-	-	-	39,689
Prepaid items	8,295	-	-	-	8,295
	<u>360,291</u>	<u>-</u>	<u>124,299</u>	<u>302,424</u>	<u>787,014</u>
Total assets	<u>\$ 360,291</u>	<u>\$ -</u>	<u>\$ 124,299</u>	<u>\$ 302,424</u>	<u>\$ 787,014</u>
<b>Liabilities</b>					
Accounts payable	\$ 24,395	\$ -	\$ -	\$ 9,949	\$ 34,344
Accrued and other liabilities	6,072	-	-	-	6,072
Due to other funds	-	39,689	-	-	39,689
Unearned revenue	-	2,625	-	-	2,625
	<u>30,467</u>	<u>42,314</u>	<u>-</u>	<u>9,949</u>	<u>82,730</u>
Total liabilities	<u>30,467</u>	<u>42,314</u>	<u>-</u>	<u>9,949</u>	<u>82,730</u>
<b>Deferred Inflows of Resources</b>					
Unavailable accrued interest income	-	-	-	536	536
	<u>-</u>	<u>-</u>	<u>-</u>	<u>536</u>	<u>536</u>
<b>Fund Balances</b>					
Non-spendable					
Prepaid items	8,295	-	-	-	8,295
Restricted					
Police	-	-	-	26,923	26,923
Roads	-	-	124,299	-	124,299
Fire equipment	-	-	-	235,167	235,167
Fire operations	-	-	-	8,565	8,565
Lighting	-	-	-	21,284	21,284
Unassigned (deficit)	321,529	(42,314)	-	-	279,215
	<u>329,824</u>	<u>(42,314)</u>	<u>124,299</u>	<u>291,939</u>	<u>703,748</u>
Total fund balances	<u>329,824</u>	<u>(42,314)</u>	<u>124,299</u>	<u>291,939</u>	<u>703,748</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 360,291</u>	<u>\$ -</u>	<u>\$ 124,299</u>	<u>\$ 302,424</u>	<u>\$ 787,014</u>

See Accompanying Notes to Financial Statements



**Crystal Township  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014**

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**Total fund balances for governmental funds** \$ 703,748

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

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

Capital assets not being depreciated 24,397

Net capital assets being depreciated 549,992

Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. 536

**Net position of governmental activities** \$ 1,278,673

**Crystal Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire Operations and Equipment	Roads		
<b>Revenues</b>					
Taxes	\$ 96,165	\$ 88,388	\$ 106,066	\$ 30	\$ 290,649
Special assessments	-	-		43,186	43,186
Licenses and permits	1,488	-	-	-	1,488
State revenue sharing	206,156	-	-	-	206,156
Charges for services	11,811	8,505	-	-	20,316
Fines and forfeitures	-	-	-	474	474
Interest income	-	-	-	713	713
Rental income	20,712	-	-	-	20,712
Other revenue	2,591	833	-	300	3,724
<b>Total revenues</b>	<b>338,923</b>	<b>97,726</b>	<b>106,066</b>	<b>44,703</b>	<b>587,418</b>

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, 2014**

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire Operations and Equipment	Roads		
<b>Expenditures</b>					
Current					
General government	\$ 134,361	\$ -	\$ -	\$ -	\$ 134,361
Public safety	-	366	-	87,173	87,539
Public works	101,465	-	104,650	29,996	236,111
Recreation and culture	4,316	-	-	-	4,316
Other functions	43,432	-	-	-	43,432
Capital outlay	46,796	238,540	-	35,938	321,274
Total expenditures	330,370	238,906	104,650	153,107	827,033
Excess (deficiency) of revenues over expenditures	8,553	(141,180)	1,416	(108,404)	(239,615)
<b>Other financing sources</b>					
Sale of fixed assets	4,400	-	-	-	4,400
Net change in fund balance	12,953	(141,180)	1,416	(108,404)	(235,215)
Fund balance - beginning of year	316,871	98,866	122,883	400,343	938,963
Fund balance - end of year (deficit)	\$ 329,824	\$ (42,314)	\$ 124,299	\$ 291,939	\$ 703,748

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, 2014**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (235,215)</b>
<p>Total change in net position reported for governmental activities in the statement of activities is different because:</p>	
<p>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.</p>	
Depreciation expense	(32,011)
Capital outlay	303,892
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>	
Other revenue	<u>3</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 36,669</u></u></b>

**Crystal Township  
Proprietary Funds  
Statement of Net Position  
June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 212,299	\$ 61,563	\$ 273,862
Receivables			
Customers	23,964	6,386	30,350
Special assessments, current	-	19,596	19,596
Due from other units of government	4,215	-	4,215
Due from other funds	17,525	-	17,525
Prepaid items	8,198	863	9,061
Total current assets	<u>266,201</u>	<u>88,408</u>	<u>354,609</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
Rural development loan bond reserve	-	110,022	110,022
Rural development loan replacements and improvements	-	16,376	16,376
Special assessments receivable net of current portion	-	673,272	673,272
Capital assets not being depreciated	232,446	-	232,446
Net capital assets being depreciated	1,375,879	1,820,030	3,195,909
Total noncurrent assets	<u>1,608,325</u>	<u>2,619,700</u>	<u>4,228,025</u>
Total assets	<u>1,874,526</u>	<u>2,708,108</u>	<u>4,582,634</u>

See Accompanying Notes to Financial Statements

**Crystal Township  
Proprietary Funds  
Statement of Net Position  
June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 7,244	\$ -	\$ 7,244
Accrued and other liabilities	1,700	9,625	11,325
Due to other funds	-	17,525	17,525
Current portion of noncurrent liabilities	-	21,000	21,000
Total current liabilities	8,944	48,150	57,094
Noncurrent liabilities			
Long-term debt net of current portion	-	615,000	615,000
Total liabilities	8,944	663,150	672,094
<b>Net Position</b>			
Net investment in capital assets	1,608,325	1,184,030	2,792,355
Restricted for:			
Rural development loan replacements and improvements	-	16,376	16,376
Unrestricted	257,257	844,552	1,101,809
Total net position	<u>\$ 1,865,582</u>	<u>\$ 2,044,958</u>	<u>\$ 3,910,540</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Operating revenue</b>			
Customer fees	\$ 217,883	\$ 44,665	\$ 262,548
Rental income	1,500	500	2,000
Other revenue	3,964	39,889	43,853
 Total operating revenue	 223,347	 85,054	 308,401
<b>Operating expenses</b>			
Personnel services	83,895	474	84,369
Supplies	14,941	1,113	16,054
Utilities	22,538	2,515	25,053
Repairs and maintenance	16,663	1,638	18,301
Other expenses	39,572	3,685	43,257
Depreciation	126,944	60,965	187,909
 Total operating expenses	 304,553	 70,390	 374,943
 Operating income (loss)	 (81,206)	 14,664	 (66,542)
<b>Nonoperating revenue (expenses)</b>			
Interest income	205	118	323
Interest expense	-	(29,780)	(29,780)
 Total nonoperating revenues (expenses)	 205	 (29,662)	 (29,457)
 Loss before transfers	 (81,001)	 (14,998)	 (95,999)

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
Transfers in	\$ 37,640	\$ -	\$ 37,640
Transfers out	-	(37,640)	(37,640)
Change in net position	(43,361)	(52,638)	(95,999)
Net position - beginning of year	1,908,943	2,097,596	4,006,539
Net position - end of year	<u>\$ 1,865,582</u>	<u>\$ 2,044,958</u>	<u>\$ 3,910,540</u>

See Accompanying Notes to Financial Statements



**Crystal Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 217,711	\$ 85,723	\$ 303,434
Receipts from other funds	-	1,357	1,357
Payments to other funds	(1,357)	-	(1,357)
Payments to suppliers	(79,492)	(9,254)	(88,746)
Payments to employees	(83,895)	(474)	(84,369)
Net cash provided by operating activities	<u>52,967</u>	<u>77,352</u>	<u>130,319</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer from other funds	37,640	-	37,640
Transfers to other funds	-	(37,640)	(37,640)
Net cash provided (used) by noncapital financing activities	<u>37,640</u>	<u>(37,640)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from special assessments	-	24,160	24,160
Purchases/construction of capital assets	(43,144)	-	(43,144)
Principal and interest paid on long-term debt	-	(63,780)	(63,780)
Net cash used by capital and related financing activities	<u>(43,144)</u>	<u>(39,620)</u>	<u>(82,764)</u>
<b>Cash flows from investing activities</b>			
Interest received	205	101	306
Net change in cash and cash equivalents	47,668	193	47,861
Cash and cash equivalents - beginning of year	<u>164,631</u>	<u>61,370</u>	<u>226,001</u>
Cash and cash equivalents - end of year	<u>\$ 212,299</u>	<u>\$ 61,563</u>	<u>\$ 273,862</u>

See Accompanying Notes to Financial Statements

**Crystal Township  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2014**

	Enterprise Funds		
	Sewer	Duck Lake	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (81,206)	\$ 14,664	\$ (66,542)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation expense	126,944	60,965	187,909
Changes in assets and liabilities			
Receivables (net)	(1,421)	669	(752)
Due from other units of government	(4,215)	-	(4,215)
Due from other funds	(1,357)	-	(1,357)
Prepaid items	9,722	67	9,789
Accounts payable	4,041	-	4,041
Accrued and other liabilities	459	(370)	89
Due to other funds	-	1,357	1,357
 Net cash provided by operating activities	 <u>\$ 52,967</u>	 <u>\$ 77,352</u>	 <u>\$ 130,319</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 8,680</u>
<b>Liabilities</b>	
Due to other units of government	<u>\$ 8,680</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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 position and the statement of changes in net position) 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.

**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

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

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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 Operations and Equipment Fund accounts for property taxes and other revenue that is restricted for providing fire protection and purchasing fire equipment.

The Road Fund accounts for property taxes and other revenue that is restricted for providing road improvements.

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.

The Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

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.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

**Assets, liabilities, and net position 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. The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2013 taxable valuation of the government totaled \$88,855,362, on which ad valorem taxes consisted of 0.7442 mills for operating purposes. This resulted in \$66,126 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. For such payments in governmental funds the Township follows the consumption method, and they therefore are capitalized as prepaid items in both entity-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.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

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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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

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 position.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the Township’s highest level of decision-making, its Township Board. A fund balance commitment may be established, modified, or rescinded by a resolution of the Township Board.

Assigned – amounts intended to be used for specific purposes, as determined by the Township Board or the Township Supervisor. The Township Board has granted the Township Supervisor the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Township’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued *Statement 68 Accounting and Financial Reporting for Pensions*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 68 is effective for the year ending June 30, 2015.

The Government Accounting Standards Board has also issued *Statement 69, Government Combinations and Disposals of Government Operations* and *Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation of termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

Statement 71, improves accounting and financial reporting by addressing an issue in Statement 68, *Accounting and Financial Reporting of Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities.

Statement 71 should be applied simultaneously with the provisions of Statement 68.

**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.

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.

**Deficit Fund Equity**

The Fire Operations and Equipment Fund has deficit fund balance of \$42,314. The deficit will be eliminated with future special assessment collections.



**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

**Excess of expenditures over appropriations**

During the year ended June 30, 2014, the Township incurred expenditures in the General Fund in excess of amounts appropriated as follows:

Fund	Total Appropriation	Amount Expended	Variance
<b>Fire Operations and Equipment Fund</b>			
Public safety	\$ -	\$ 366	\$ 366
Capital outlay	96,000	238,540	142,540

**NOTE 3 - DEPOSITS**

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 663,108	\$ -	\$ 663,108
Business-type activities	273,862	126,398	400,260
Total primary government	936,970	126,398	1,063,368
Fiduciary funds	8,680	-	8,680
Component unit	16,218	-	16,218
Total	<u>\$ 961,868</u>	<u>\$ 126,398</u>	<u>\$1,088,266</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.

*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, \$577,399 of the \$1,093,617 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES**

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

	Due After One Year	Fund
<b>Primary government</b>		
Special assessments	<u>\$ 673,272</u>	Duck Lake

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 - UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue is as follows:

**Primary government**

Other revenue - fire contracts \$ 2,625

**NOTE 6 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 18,897	\$ 5,500	\$ -	\$ 24,397
Capital assets being depreciated				
Land improvements	3,983	-	-	3,983
Buildings, additions and improvements	322,364	238,540	-	560,904
Machinery and equipment	667,905	59,852	25,887	701,870
<b>Total capital assets being depreciated</b>	<b>994,252</b>	<b>298,392</b>	<b>25,887</b>	<b>1,266,757</b>
Less accumulated depreciation for				
Land improvements	531	797	-	1,328
Buildings, additions and improvements	108,663	11,206	-	119,869
Machinery and equipment	601,447	20,008	25,887	595,568
<b>Total accumulated depreciation</b>	<b>710,641</b>	<b>32,011</b>	<b>25,887</b>	<b>716,765</b>
<b>Net capital assets being depreciated</b>	<b>283,611</b>	<b>266,381</b>	<b>-</b>	<b>549,992</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 302,508</b>	<b>\$ 271,881</b>	<b>\$ -</b>	<b>\$ 574,389</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 232,446	\$ -	\$ -	\$ 232,446
Capital assets being depreciated				
Land improvements	976,005	-	-	976,005
Buildings, additions and improvements	366,299	8,517	-	374,816
Machinery and equipment	1,409,043	34,627	3,807	1,439,863
Sewer system	5,043,429	-	-	5,043,429
<b>Total capital assets being depreciated</b>	<b>7,794,776</b>	<b>43,144</b>	<b>3,807</b>	<b>7,834,113</b>
Less accumulated depreciation for				
Land improvements	841,290	24,462	-	865,752
Buildings, additions and improvements	142,024	9,282	-	151,306
Machinery and equipment	1,133,057	40,518	3,807	1,169,768
Sewer system	2,337,731	113,647	-	2,451,378
<b>Total accumulated depreciation</b>	<b>4,454,102</b>	<b>187,909</b>	<b>3,807</b>	<b>4,638,204</b>
<b>Net capital assets being depreciated</b>	<b>3,340,674</b>	<b>(144,765)</b>	<b>-</b>	<b>3,195,909</b>
<b>Business-type capital assets, net</b>	<b>\$ 3,573,120</b>	<b>\$ (144,765)</b>	<b>\$ -</b>	<b>\$ 3,428,355</b>

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

<b>Governmental activities</b>		
General government		\$ 10,942
Public safety		15,449
Public works		5,620
<b>Total governmental activities</b>		<b>32,011</b>
<b>Business-type activities</b>		
Sewer		126,944
Water		60,965
<b>Total business-type activities</b>		<b>187,909</b>
<b>Total primary government</b>		<b>\$ 219,920</b>

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Sewer Fund	Duck Lake Fund	\$ 17,525
General Fund	Fire Operations & Equipment Fund	39,689
		<u>\$ 57,214</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.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Duck Lake Fund	Sewer Fund	<u>\$ 37,640</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**NOTE 8 - OPERATING LEASE**

The Township is leasing a portion of the community hall building to a Michigan non-profit entity. The term of the lease is July 1, 2013 to June 30, 2017. The base rent has been established at \$10,800 annually, payable in monthly installments of \$900.

The following schedule shows the aggregate future minimum lease payments required by year under the lease:

Year Ending June 30,	
2015	\$ 10,800
2016	10,800
2017	10,800
	<u>\$ 32,400</u>

**Crystal Township**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 9 - 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:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
General obligation bonds									
Duck Lake Sanitary Drain Bonds Series A (secured)	\$ 814,000	3/1/2034	4.5%	\$21,000 - \$46,000	<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 34,000</u>	<u>\$ 636,000</u>	<u>\$ 21,000</u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2015	\$ 21,000	\$ 29,250
2016	22,000	28,305
2017	23,000	27,315
2018	24,000	26,280
2019	25,000	25,200
2020-2024	142,000	108,180
2025-2029	176,000	67,523
2030-2034	<u>203,000</u>	<u>29,925</u>
	<u>\$ 636,000</u>	<u>\$ 341,978</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.

The Township is a defendant in a lawsuit, *Lakeside Resort, LLC vs. Crystal Township*, where the plaintiff is seeking monetary damages and equitable relief from the Township. The Township's insurance carrier has obtained counsel and is currently defending the claim. If damages are awarded to the plaintiff, the Township's insurance carrier will cover a majority of the award. The case was dismissed by the trial court subsequent to year end.

**Crystal Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 67,000	\$ 67,000	\$ 65,937	\$ (1,063)
Administration fee	20,000	20,000	30,228	10,228
Licenses and permits	330	330	1,488	1,158
State revenue sharing	183,900	183,900	206,156	22,256
Charges for services	12,700	12,700	11,811	(889)
Interest income	113	113	-	(113)
Rental income	10,000	10,000	20,712	10,712
Other revenue	5,000	5,000	2,591	(2,409)
Sale of fixed assets	-	-	4,400	4,400
	<u>299,043</u>	<u>299,043</u>	<u>343,323</u>	<u>44,280</u>
Total revenues				

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Expenditures</b>				
General government				
Township board	\$ 43,375	\$ 50,145	\$ 33,472	\$ (16,673)
Supervisor	7,469	7,469	6,904	(565)
Clerk	13,855	14,540	14,216	(324)
Board of review	2,755	2,885	1,752	(1,133)
Treasurer	15,955	16,605	13,957	(2,648)
Assessor	31,230	32,304	31,315	(989)
Elections	9,800	9,800	1,240	(8,560)
Buildings and grounds	31,767	38,327	27,044	(11,283)
Cemetery	5,100	5,100	4,461	(639)
Total general government	<u>161,306</u>	<u>177,175</u>	<u>134,361</u>	<u>(42,814)</u>
Public works				
Department of public works	64,000	65,820	59,253	(6,567)
Highways, streets and bridges	31,900	36,310	42,212	5,902
Total public works	<u>95,900</u>	<u>102,130</u>	<u>101,465</u>	<u>(665)</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Recreation and culture Library	\$ 5,140	\$ 5,140	\$ 4,316	\$ (824)
Other functions Insurance and bonds	36,500	49,080	43,432	(5,648)
Capital outlay	36,150	77,000	46,796	(30,204)
Total expenditures	334,996	410,525	330,370	(80,155)
Excess (deficiency) of revenues over expenditures	(35,953)	(111,482)	12,953	124,435
Fund balance - beginning of year	316,871	316,871	316,871	-
Fund balance - end of year	<u>\$ 280,918</u>	<u>\$ 205,389</u>	<u>\$ 329,824</u>	<u>\$ 124,435</u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Fire Operations and Equipment Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes	\$ 88,000	\$ 88,000	\$ 88,388	\$ 388
Charges for services	8,000	8,000	8,505	505
Interest income	30	30	-	(30)
Other revenue	20	20	833	813
	<u>96,050</u>	<u>96,050</u>	<u>97,726</u>	<u>1,676</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public safety	-	-	366	366
Capital outlay	96,000	96,000	238,540	142,540
	<u>96,000</u>	<u>96,000</u>	<u>238,906</u>	<u>142,906</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	50	50	(141,180)	(141,230)
Fund balance - beginning of year	98,866	98,866	98,866	-
Fund balance - end of year (deficit)	<u>\$ 98,916</u>	<u>\$ 98,916</u>	<u>\$ (42,314)</u>	<u>\$ (141,230)</u>

See Accompanying Notes to Financial Statements



**Crystal Township**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Roads Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 103,000	\$ 103,000	\$ 106,066	\$ 3,066
Interest income	20	20	-	(20)
Total revenues	<u>103,020</u>	<u>103,020</u>	<u>106,066</u>	<u>3,046</u>
<b>Expenditures</b>				
Current				
Public works	<u>100,000</u>	<u>104,700</u>	<u>104,650</u>	<u>(50)</u>
Excess (deficiency) of revenues over expenditures	3,020	(1,680)	1,416	3,096
Fund balance - beginning of year	<u>122,883</u>	<u>122,883</u>	<u>122,883</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 125,903</u></u>	<u><u>\$ 121,203</u></u>	<u><u>\$ 124,299</u></u>	<u><u>\$ 3,096</u></u>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Fire Equipment	Fire Operations	Police	Street Lights	Northwest TAC Lighting	
<b>Assets</b>						
Cash and cash equivalents	\$ 238,289	\$ 9,140	\$ 30,580	\$ 23,452	\$ 427	\$ 301,888
Receivables						
Accrued interest and other	536	-	-	-	-	536
<b>Total assets</b>	<b>\$ 238,825</b>	<b>\$ 9,140</b>	<b>\$ 30,580</b>	<b>\$ 23,452</b>	<b>\$ 427</b>	<b>\$ 302,424</b>
<b>Liabilities</b>						
Accounts payable	\$ 3,122	\$ 575	\$ 3,657	\$ 2,564	\$ 31	\$ 9,949
<b>Deferred Inflows of Resources</b>						
Unavailable accrued interest income	536	-	-	-	-	536
<b>Fund Balances</b>						
Restricted						
Fire equipment	235,167	-	-	-	-	235,167
Fire operations	-	8,565	-	-	-	8,565
Police	-	-	26,923	-	-	26,923
Lighting	-	-	-	20,888	396	21,284
<b>Total fund balances</b>	<b>235,167</b>	<b>8,565</b>	<b>26,923</b>	<b>20,888</b>	<b>396</b>	<b>291,939</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 238,825</b>	<b>\$ 9,140</b>	<b>\$ 30,580</b>	<b>\$ 23,452</b>	<b>\$ 427</b>	<b>\$ 302,424</b>

See Accompanying Notes to Financial Statements

**Crystal Township**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Fire Equipment	Fire Operations	Police	Street Lights	Northwest TAC Lighting	
<b>Revenues</b>						
Taxes	\$ 17	\$ 13	\$ -	\$ -	\$ -	\$ 30
Special assessments	-	-	-	42,612	574	43,186
Fines and forfeitures	-	-	474	-	-	474
Interest income	713	-	-	-	-	713
Other revenue	-	300	-	-	-	300
<b>Total revenues</b>	<b>730</b>	<b>313</b>	<b>474</b>	<b>42,612</b>	<b>574</b>	<b>44,703</b>
<b>Expenditures</b>						
Current						
Public safety	-	42,549	44,624	-	-	87,173
Public works	-	-	-	29,647	349	29,996
Capital outlay	21,890	14,048	-	-	-	35,938
<b>Total expenditures</b>	<b>21,890</b>	<b>56,597</b>	<b>44,624</b>	<b>29,647</b>	<b>349</b>	<b>153,107</b>
Net change in fund balance	(21,160)	(56,284)	(44,150)	12,965	225	(108,404)
Fund balance - beginning of year	256,327	64,849	71,073	7,923	171	400,343
Fund balance - end of year	<u>\$ 235,167</u>	<u>\$ 8,565</u>	<u>\$ 26,923</u>	<u>\$ 20,888</u>	<u>\$ 396</u>	<u>\$ 291,939</u>

See Accompanying Notes to Financial Statements

**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***

**Independent Auditors' Report**

Township Board  
Crystal Township

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crystal Township as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Crystal Township's basic financial statements, and have issued our report thereon dated December 1, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Crystal Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crystal Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Crystal Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, Finding 2014 – 001, described in the accompanying schedule of findings and responses to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crystal Township's financial statements are free from 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*.

## Crystal Township's Response to Findings

Crystal Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Crystal Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, MI  
December 1, 2014

**Crystal Township**  
**Schedule of Findings and Responses**  
**June 30, 2014**

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**GOVERNMENT AUDITING STANDARDS FINDINGS**

**2014 – 001 MATERIAL WEAKNESS – AUDIT ADJUSTMENTS**

**Criteria:** Management is responsible for establishing, maintaining, and monitoring internal controls over financial statement recording and reporting.

**Condition:** Adjusting journal entries were required so the financial statements were not materially misstated.

**Cause:** The Township currently does not have a system in place to record year end accruals.

**Effect:** The auditor proposed, and management approved, material journal entries that were necessary to fairly present the financial condition of the Township.

**Recommendation:** We recommend that the Township consider implementing a system to record year end accrual transactions. Implementing such a system would provide the Township Board with more reliable financial information for making decisions.

**Views of responsible officials:** The Township will continue to evaluate the benefits and potential costs that the Township will incur in order to properly record year end accruals and make a determination as to whether or not they will be able to make the necessary accruals.

# CRYSTAL TOWNSHIP

<http://www.montcalm.org/crystal.asp>

217 West Park

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Crystal, Michigan 48818

989-235-4800 fax: 989-235-1124

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## Corrective Action Plan Crystal Township Fiscal Year 2014

### 2014 – 001 Material Weakness – Audit Adjustments

Issue: Township does not have a system in place to record year end accruals resulting in the need for adjusting journal entries.

Person Responsible: Clerk, Bob Naumann

Action: - Treasurer and Clerk meet to establish and implement a system to record year end accrual transactions.

Completion Date: The above corrective actions will be in place by April 30, 2015.

Bob Naumann, Clerk



Crystal Township  
Montcalm County



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

December 1, 2014

Township Board  
Crystal Township  
414 S. Main  
Crystal, MI 48818

We have completed our audit of the financial statements of Crystal Township as of and for the year ended June 30, 2014 and have issued our report dated December 1, 2014. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with the Township Clerk and Treasurer during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, Township Board, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Alma, Michigan



Appendix I  
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the organization are described in Note 1 of the financial statements. We noted no transactions entered into by the Township during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The Township's most significant estimate in the financial statements is the useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service. We have evaluated management's estimate in these areas and the process used for making the accounting estimate, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements. We feel the estimate has been properly recorded and evaluated by management.

Disclosures in the financial statements are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

<b>Governmental Funds</b>	
To correct fire contract revenue	\$ 5,000
To correct accounts payable	(11,724)
Change in fund balance from material audit adjustments	<u>\$ (6,724)</u>

Net position in Duck Lake Fund also required correction. Net position was overstated by \$60,996 and accumulated depreciation on capital assets was understated by \$60,996.

There were no uncorrected misstatements that were more than trivial.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

#### *Management's Consultations with Other Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Other Reports*

Other information that is required to be reported to you is included in the: 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*. Please read all information included in that report to ensure you are aware of relevant information.

#### *Report on Required Supplementary Information*

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Appendix II  
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Crystal Township as of and for the year ended June 30, 2014, we considered Crystal Township's internal control over financial reporting (internal control) as a basis for designing our audit 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 the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls and improving compliance. This letter does not affect our report dated December 1, 2014, on the financial statements of Crystal Township. Our comments and recommendations regarding those matters are:

**Fund Balance Deficit**

The Fire Operations and Equipment fund has deficit fund balance of \$42,314. The Township completed a renovation to the fire hall building. The costs of the project exceeded the current year revenues and prior year accumulated fund balance. The Township is currently borrowing funds from the General Fund for cash flow purposes and will repay those funds as the special assessment is collected.

We recommend that the fund continue to be monitored and that the General Fund be repaid once future special assessment dollars are collected.

**Electronic Funds Transactions (EFT) Policy**

Currently, the Township does not have a formal EFT policy. As technology continues to evolve, more vendors and customers are requiring electronic financial activity. This is a growing area where gaps in internal controls can take place as the old procedures do not typically include computer controls.

We recommend the Township adopt an EFT policy, which should include which transactions are allowed to be electronically disbursed and from which bank accounts. This process should also include the creation of any additional electronic transactions that may be added in the future. Implementing an EFT policy should document the creation and approval of transactions with occur on a regular basis and prevent unauthorized electronic transactions from occurring in the future.

**Tax Account Procedures**

Deposits

The treasurer is the primary Township official in charge of tax collections and payments. The treasurer currently uses a deposit report from the tax tracking software BS&A to ensure the amount of receipts entered into BS&A from residents and businesses matches the funds being deposited into the tax bank account. We recommend that a person other than the treasurer review this report and verify that the report matches the actual deposit made.

Collection and Payment Tracking

Transactions related to tax collections and payments are not tracked in a general ledger software. We recommend that the treasurer, at a minimum, track the tax collections and payments by taxing unit in a spreadsheet. This will allow the treasurer to determine if the tax collections received have been completely paid out to the appropriate taxing units.

Bank Statement Review

Segregation of duties are limited within the tax account. We recommend that someone other than the treasurer obtain and review the tax bank account and reconciliation. The review should be documented by initialing the statement.

Distribution Frequency

Michigan law requires local units of governments to account for and deliver to the county treasurer and other tax assessing units, the tax collections on hand on the first and fifteenth day of each month within 10 business days after each of the first and fifteenth day of each month. There were time periods during the year where the Township did not timely remit the property taxes. We recommend that the Township review the property tax distribution process to ensure timely compliance with the law.